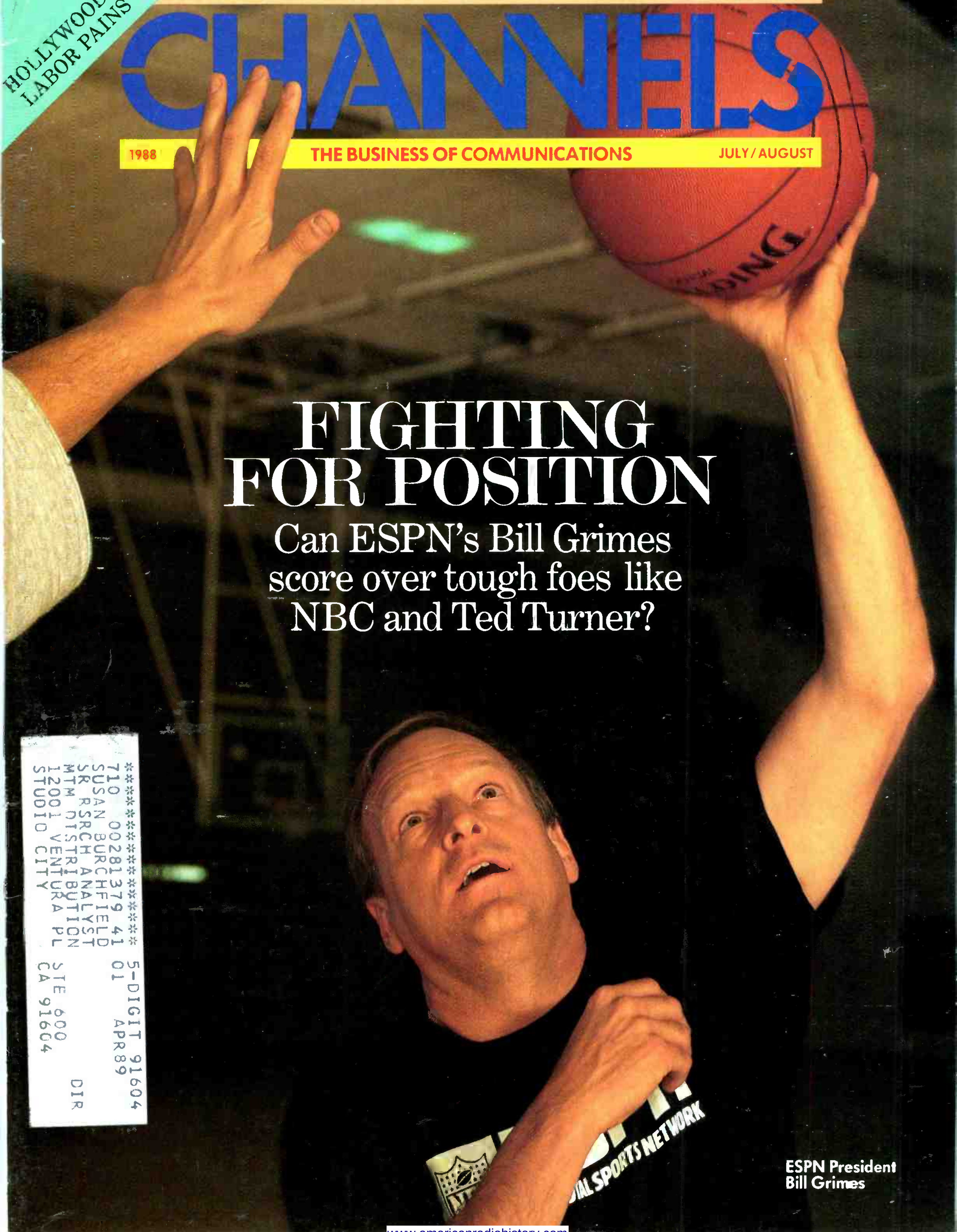
IN FOCUS: The New Era in Cable Marketing

HOLLYWOOD'S LABOR PAINS

CHANNELS

1988 THE BUSINESS OF COMMUNICATIONS JULY/AUGUST

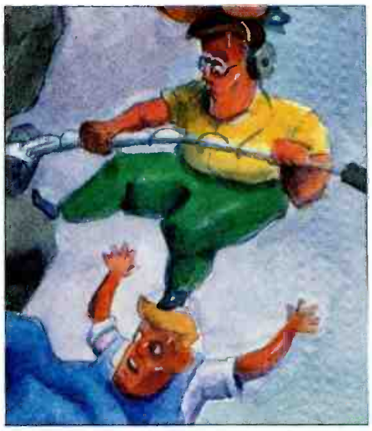


FIGHTING FOR POSITION

Can ESPN's Bill Grimes score over tough foes like NBC and Ted Turner?

ESPN President Bill Grimes

CHANNELS
THE BUSINESS OF COMMUNICATIONS
VOL. 8, NO. 7 JULY/AUGUST 1988



Cover photograph: George Lange


Buena Vista
Television

CHANNELS
THE BUSINESS OF COMMUNICATIONS

Editor
MERRILL BROWN
Executive Editor
PETER AINSLIE
Managing Editor
JOHN FLINN
Senior Editors
STEVE BEHRENS, CECILIA CAPUZZI
KIRSTEN BECK, J. MAX ROBINS
West Coast Editor
NEAL KOCH
Assistant West Coast Editor
RHODA FUKUSHIMA
Assistant Editors
MICHAEL BURGI, KEVIN PEARCE
Contributing Editors
JOHN F. BERRY, ALEX BEN BLOCK, DAVID BOLLIER
L.J. DAVIS, MARK FRANKEL, MERYL GORDON
JEAN BERGANTINI GRILLO, WILLIAM A. HENRY III
DAVID LACHENBRUCH,
PAUL NOGLOWS, MICHAEL POLLAN, JAY ROSEN,
HARVEY D. SHAPIRO, JAMES TRAUB
Interns
RICHARD KATZ, ANN KRAWFSKY

Art Director
SUE NG
Assistant Art Director
AMY JAFFE
Photo Research
LAURIE WINFREY/CAROUSEL, INC.

Publisher
JOEL A. BERGER
Advertising Sales Director
SARA GREENWOOD
Eastern Advertising Managers
ANDY KAPIT, BARRY NITZBERG
Western Advertising Manager
NELDA H. CHAMBERS
Assistant to the Publisher
GLENN WEIN
Advertising Sales Assistants
HONEY BUTLER, SYLVIA CONTI

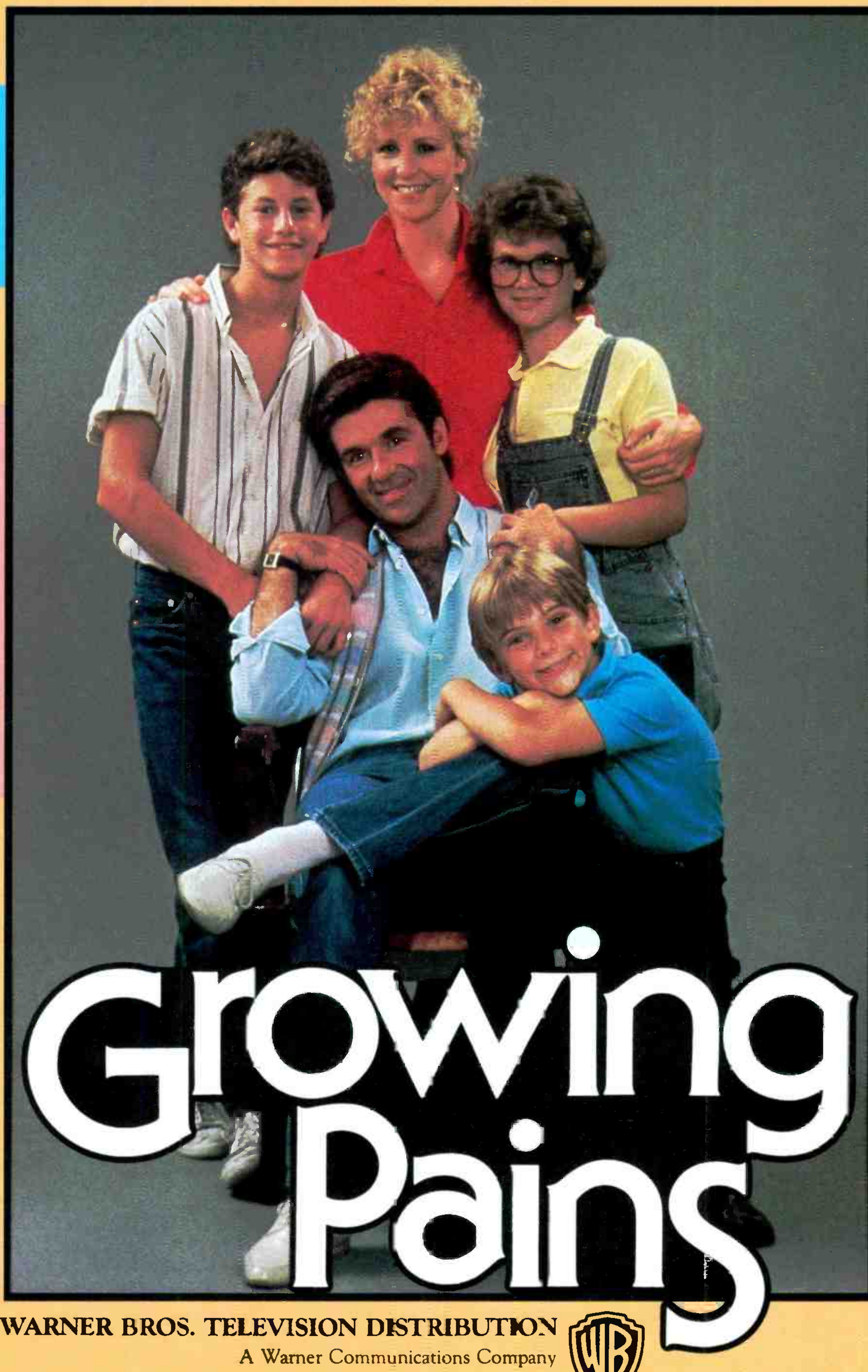
Production Manager
RACHEL COHEN
Controller
CATHERINE PAONE
Assistant Controller
BARBARA VAUGHN, BRIAN FUORRY
Administrative Assistant
DEBORAH GERMAN

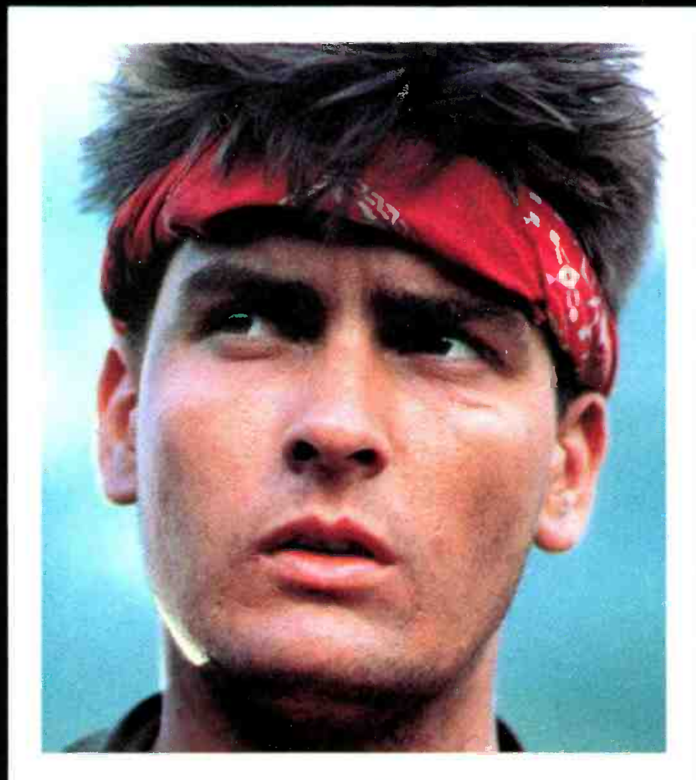
Advertising Sales Offices
New York: 19 West 44th St., New York, NY 10036, 212-302-2680 **West Coast:** 1800 Century Park East, Suite 200 Los Angeles, CA 90067 213-556-1174 **England:** Jack Durkin & Co. 55 Hatton Garden, London EC1N 8HP England Tel: 011-441-831-1131

C.C. Publishing Inc.
President
PAUL DAVID SCHAEFFER
Senior Vice President, Editorial Development
LES BROWN
Senior Vice President,
Corporate Development and Planning
MARTHA LORINI
Vice President, Finance and Administration
BRONNA A. BUTLER

CHANNELS The Business of Communications (ISSN 0895-643X) is published monthly except in August by C.C. Publishing Inc., 19 West 44th Street, New York, NY 10036. Second class postage paid New York, NY and additional mailing offices. Volume 8, Number 7, July/August 1988.

Subscriptions: $65 per year; all foreign countries add $18. **Please address all subscription mail to CHANNELS The Business of Communications, Subscription Service Dept., P.O. Box 6438, Duluth, MN 55806, or call 218-723-9202. Postmaster:** Send address changes to CHANNELS The Business of Communications, Subscription Services Dept., P.O. Box 6438, Duluth, MN 55806. **Editorial and business offices:** 19 West 44th Street, New York, NY 10036; 212-302-2680. Unsolicited manuscripts cannot be considered or returned unless accompanied by a stamped, self-addressed envelope. **No part of this magazine may be reproduced in any form without written consent.**


Growing
Pains



PLATOON

EDITOR'S NOTE

Cure for Summertime Blues

As we wrap up the July/August issue of *Channels* in early summer, it is interesting to note how much uncertainty surrounds what lies ahead as we plan for the usual fall rush of activity in the television business. The tensions from labor actions are acute, yielding enormous uneasiness about the shape and timing of the new fall season.

From an editorial point of view, there probably has never been a more provocative time for our staff—a period of industry instability that is engrossing and challenging at the magazine—but one that is also downright terrifying to many in the industry.

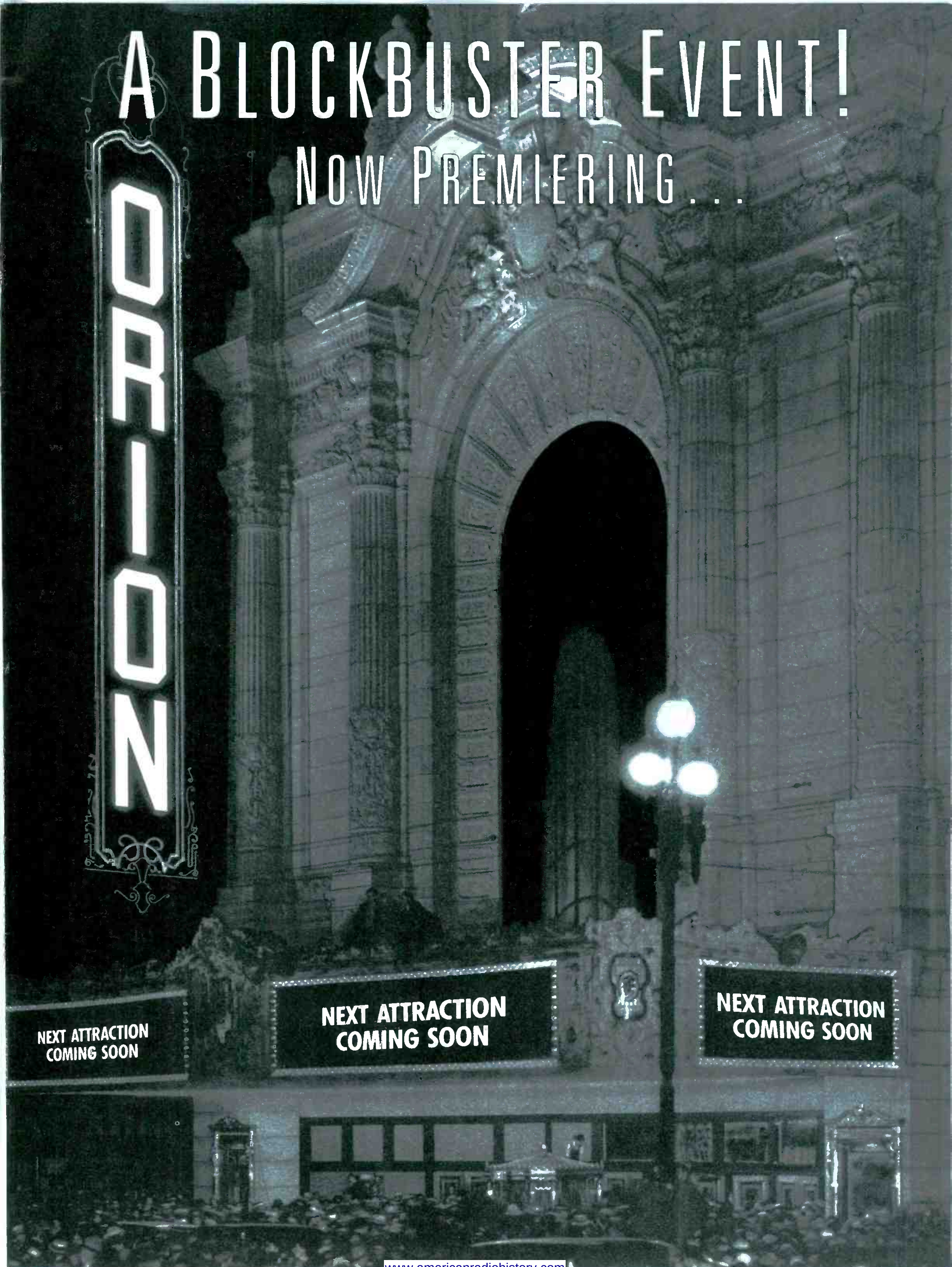
Each day we hear stories of network news and entertainment professionals looking for work, or fearing that they soon will be. Just the other day, a top-ranked executive in network news, looking over ratings numbers, talked anxiously of the combined network evening news tally falling to a record low during one May week. On the program-production side, there's one driving issue on the minds of studio managements—cost, cost, cost and cost, in the words of *Channels* West Coast editor Neal Koch. At the same time, syndication executives worry about the future of a business that is in many ways contracting, such as in the hour off-network market, but elsewhere expanding as cable networks emerge as a vital distribution vehicle. We also hear of cable executives concerned about the record pace of system consolidation and about the regularity with which small companies are disappearing.

In some ways, quite frankly, when we hear the laments about the state of the business, we can't help but be stimulated. Some of us worried after 1986—a spectacular year for news about the television industry—that it would be hard to top a year in which each of the networks changed hands. Those fears now seem absurd. For one reason or another, the story seems to only become better with time. We're reporting on events in an industry in the midst of exciting and dramatic change. Obviously, there's plenty to write about.

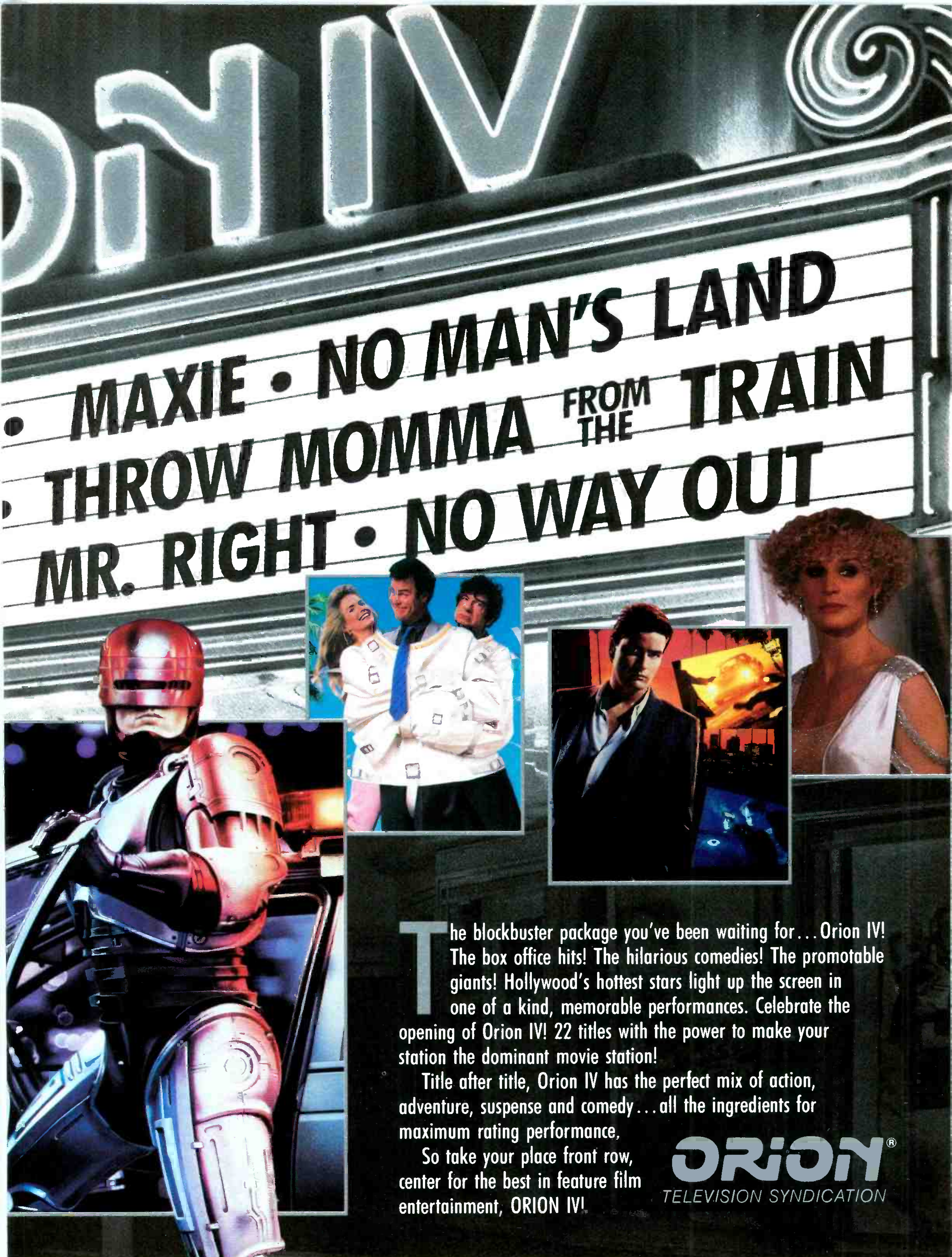
On the other hand, there's a sadness in many of these conversations that can't help but affect even the most cynical among us. At *Channels*, we do, after all, live in an industry world where we're continually meeting people we admire. Friendships inevitably come out of those relationships, and it's hard to watch industry professionals who are devoted to the medium being tormented by ownership change, new managers, layoffs, down-sizing and the uncertainty and turbulence that accompany a business in transition. It is hard to listen to the tale of the program marketer forced to lay off half a staff, or to the stories of a news executive who knows that his organization will inevitably face another round of wrenching cutbacks.

That's why our excitement about the editorial dynamism we see while studying the business is a tempered, bittersweet emotion. But none of us would do what we do if we didn't also believe in its importance, and in the overall health of the communications business. Hard as it may seem through what promises to be a difficult fall, try to remember how critically important television is to this country's social, political and economic fabric, and to keep in mind that some of the nation's most troubled industries and regions of just a few years ago are today smartly rebounding.

Merrill Brown


A BLOCKBUSTER EVENT!
NOW PREMIERING...
ORION
NEXT ATTRACTION COMING SOON
NEXT ATTRACTION COMING SOON
NEXT ATTRACTION COMING SOON


ROBOCOP • THREE AMIGOS
MALONE • THE BELIEVERS
THE COUCH TRIP • MAKING


ORION IV
MAXIE • NO MAN'S LAND
THROW MOMMA FROM THE TRAIN
MR. RIGHT • NO WAY OUT
The blockbuster package you've been waiting for... Orion IV! The box office hits! The hilarious comedies! The promotable giants! Hollywood's hottest stars light up the screen in one of a kind, memorable performances. Celebrate the opening of Orion IV! 22 titles with the power to make your station the dominant movie station!
Title after title, Orion IV has the perfect mix of action, adventure, suspense and comedy... all the ingredients for maximum rating performance.
So take your place front row, center for the best in feature film entertainment, ORION IV!
ORION®
TELEVISION SYNDICATION

REPORTS

Carson for Sale: Buyers Beware

A cautionary tale against pinning too much on Johnny.

PHOTOFEST

Carson as huckster Art Fern, with Carol Wayne: Trying to sell the future of a stumbling firm?

Johnny Carson wasn't laughing. In fact, despite the hot October weather in Los Angeles, Carson had called with a cold message. Cancel the Christmas party, he told Henry Bushkin, his attorney and partner in Carson Productions, a fledgling firm that had run up huge deficits as it turned out shows for network television. He was serious. He had already told Bushkin to shut the company down.

Bushkin resisted both moves, knowing that his 10 percent stake in the closely held firm would plummet in value by shuttering the shop. But Carson owned the other 90 percent. "It was clear who was in charge," Bushkin recalls. He didn't see November's end at the firm.

It wasn't the first time Carson tried to bail out of a TV company. In late 1985, he sold an Albuquerque UHF station that he controlled after syndicators reportedly yanked all their programming because of about $5 million in unpaid bills. At one point, a local newspaper reported, more than 30 employees were fired, without severance pay. The same year, he and partners also sold Las Vegas' KVVU for a $22 million profit after increasing the station's revenues and plowing little back in, said v.p. and g.m. Rusty Durante.

But the production-company dispute was different. The struggle over the birth and subsequent withering of Carson Productions helped end one of Hollywood's most famous and joked-about business relationships. (Carson often talked on his *Tonight Show* about a Bombastic Bushkin and the counselor's fictional harebrained schemes.) It also offers insight into the power a major entertainment figure can muster to launch a company and make it a player; at the same time, it shows how vulnerable that company can be to the evaporation of the founder's attention and support.

Of all the independent production companies born in Hollywood, few can claim to have arrived with as big a slap on the behind as Carson Productions. Carson, perhaps more powerful than he'd ever been, threw his weight behind it. While NBC's network seemed shipwrecked in third place in 1980, *The Tonight Show* was its biggest profit center, producing 15 percent of the company's profits. With his contract up for renewal, Carson made a few requests, which NBC indulged. The network licensed him to produce *The Tonight Show* himself and gave the newly formed Carson Productions commitments for TV series, movies and specials. More series and pilot commitments followed, as did NBC and Columbia film commitments. Carson produced the films *The Big Chill* and *Desert Bloom*; TV shows, which included *AMEN* and *Mr. President*; and, in association with dick clark productions inc., *Television's Greatest Bloopers and Practical Jokes*. Since Carson had also previously retained the rights to *Tonight Show* comedy skits in which he appeared, he created *Carson Comedy Classics*, syndicating 130 episodes through Columbia Pictures Television. The company also began earning fees for producing the NBC-owned show *Late Night with David Letterman*. *The Tonight Show* unit produced revenues of $38.5 million in 1986, with about half going right into Carson's pocket.

But all was not rosy. The company used earnings from its movies, *Bloopers* and *Comedy Classics* to help fund deficits incurred by its unit making series, the Carson Productions Group (CPG). But in 1985 the deficits started careening out of control, hitting, for instance, $150,000 an episode on *AMEN*—50 percent above budget. The unit lost $5.5 million in 1986 on revenues of $47.8 million and lost a like amount in 1987, compared with a profit of $17.2 million in 1985 on revenues of $89 million. Forced in early 1987 to accelerate its plans for an outside cash infusion, Carson cast about for $18 million to tide it over until syndication profits would begin from *AMEN*, then in its first season.

But without a major track record, taking the company public was quickly dismissed. And Bear, Stearns & Co., the investment bankers, persuaded Carson that they could value his company at $80 million and sell off 10 or 20 percent to raise the needed cash. After all, hadn't Coca-Cola Co. paid some $250 for Merv Griffin Enterprises and $485 million for Embassy Communications only a few

Conventional Wisdom 1980: Three News Networks Are Better Than One.

Eight years ago it seemed to many that it took three major news organizations to cover all the action at the conventions. And back then the new 24-hour cable news network from Atlanta was little more than a curiosity.

Then, in 1984, the three entertainment networks dramatically cut back on their coverage. There was, however, a new booth alongside the other three. And in CNN's booth the lights never went out, and the coverage never stopped.

This year the story comes full circle. For, as the other networks continue to minimize their convention coverage, CNN is prepared to report on the action with a thoroughness never seen before–even back in 1980 when the big

Conventional Wisdom 1988:
CNN.

three were at their peak.

With 275 staffers at the conventions, along with the finest television equipment in the world, CNN will be providing around the clock news, in-depth information and commentary to its 46 million cable homes across the nation.

With every passing year, every accolade, every journalistic award, CNN grows in its accomplishments. And becomes more valuable to its viewers, its affiliates, advertisers, and to the cable industry.

In this election year, these values will be more obvious than ever. And the conventional wisdom will reflect it.

CNN
THE WORLD'S MOST IMPORTANT NETWORK

To find out more on how you can become an affiliate of CNN, call your TCNS affiliate representative. Atlanta (404-827-2250) San Francisco (415-495-0170) years earlier? It's not clear how much they discussed the fact that Embassy had a library of series hits to sell and Griffin had two of the biggest shows in syndication, *Wheel of Fortune* and *Jeopardy*, while Carson would peddle mostly future unrealized value.

Nobody leapt at the $80 million figure. So Bushkin set out to cut a better deal himself, one in which he could save the 5 percent fee typically charged by investment bankers and hook up with a studio he knew. Fox and Columbia showed some interest. Bushkin found Paramount friendlier, since Carson shows *AMEN* and *Mr. President* were made there. Eager for Carson commitments to boost its network division, Paramount worked out an arrangement that Bushkin says would have covered CPG's cash flow problem for three years—the projected start of *AMEN* syndication earnings. The deal lacked little more than Carson's signature, which Bushkin says was to be affixed after he returned from his European summer vacation.

But when he arrived back in the states, Bushkin found that Carson's maverick streak had come rushing out and knocked the deal off its tracks. In about August or September, Carson told Bushkin and Bear, Stearns to jettison the company, even if that meant closing up shop and selling it off piecemeal. "He wanted out," recalls Jim Mahoney, Carson's spokesman. "He'd just had it up to here with running a company. I don't think he understood the ramifications when he started. He didn't want to be a Jack Warner or a Louis B. Mayer. Life's too short, and he wanted to spend time with his [new] wife and *The Tonight Show*."

Bushkin resisted, hoping to continue to operate the firm. The strains between the two old friends intensified through October, and Bushkin left the company in late October or early November. But here accounts diverge. Bushkin says that in November, after he left the firm, a large company in New York asked him to join them. He says he then suggested they might buy Carson Productions. Others stories have Bushkin going east to court investors while still employed by Carson. When word leaked to Carson, they say, he became furious and the break between the two soon followed.

Carson hired E. Gregory Hookstratten, a formidable agent who, sources say, quickly told company employees that he was there to liquidate the concern and ordered an end to contact with Bushkin. Suffering the loss of Carson's extensive business, and reportedly with other ill-fated ventures with Carson still rattling around, Bushkin's law firm closed its doors this past June 1. "Very frankly," said one source, "you don't go up against a guy like Johnny Carson in this town. He had a vendetta against Henry at that point. Hook wasn't screwing around."

Meanwhile, back at Carson Productions, Hookstratten had laid off most of the staff and put its San Fernando Valley building up for sale. President Ed Weinberger, CPG's main creative force, couldn't commit to actor Judd Hirsch for a promising new series, *Dear John*. Eventually, Paramount took over the show, which has been picked up by NBC. CPG settled for a 10 percent interest in the program.

The internal strife at Carson Productions left outsiders perplexed. "From what I could tell," recalls Michael Garstin, head of Bear, Stearns' entertainment and communications investment banking group, "there was total confusion . . . It was never clear whether we were selling assets or a going concern." Perhaps as a result, Bear, Stearns delayed releasing details of what assets might be for sale until early this year. Meanwhile, interest cooled. Moreover, by July the sellers still seemed unsure of themselves. Michael Klein, in charge of the deal on the West Coast, said it was still alive, with bids awaiting Carson's response. But Garstin in New York said, "I'm not aware that we're actively marketing Carson at this point. It may be dormant . . . It's stagnated."

To be fair, buyers say they were chased away by an overpriced offering. Bear, Stearns originally valued Carson Productions at $80 million. The Paramount deal Bushkin arranged valued it at $70 to $75 million, possibly due to network commitments. But another major studio that passed on CPG in mid-1987 valued it at $35 million, tops.

One of the most valuable assets seemed to be Carson's share of profits from future syndication of *AMEN*. Another was Weinberger, who turned the company's creative fortunes around in series television when he joined as president in 1985. But there were numerous qualifications. Series distribution rights looked attractive at first glance, but the only ones available were to shows not yet in development. That made any purchase or investment a bet on Weinberger—who had never signed his contract. Moreover, in addition to his 1987 salary of $562,000, Weinberger had a 37.5 percent profit participation on some series and 20 percent on others, not leaving much for buyers.

Surprisingly, few attached much value to the *Tonight Show* library. It included eight years of episodes produced between September 1980 and fall 1988, plus 175 episodes for each additional year Carson stays with the show. But, consider the limitations. First, maintaining his independence, Carson would retain the show's production unit, the arm that feeds him personally some $20 million a year in pre-tax profits. Second, the episodes can't air until a year after Carson leaves *The Tonight Show* (he's signed until fall 1989, with an option for another year), and not for two years if the episodes are to be shown between 11 P.M. and 12:30 A.M., and then only as part of a series consisting solely of repeats. Second, all references to the title of the show must be edited out, as NBC owns that. Third, the buyer might have to bargain separately for use of Carson's name "in connection with exploitation" of the episodes. Fourth, NBC owns all prior episodes, which could be syndicated in competition.

There was the attractive sound of buying prime time network series commitments, which included four on top-ranked NBC. But industry insiders all say those commitments are worth little without Carson's leverage—which, in turn, only lasts as long as he stays on *The Tonight Show*. Even Bear, Stearns admitted, deep in the Carson offering, that in reality the network commitments simply "amount to an agreement by NBC to review proposals for new series."

As it stands now, Carson Productions may linger on as a legal entity. But it now resides, with a skeleton corporate staff, at Paramount, where it continues to produce *AMEN*.

In the end, it may be that to understand the withering of Carson Productions one has to look off the books. It resides in the realm of emotion and in the private world of America's most familiar TV entertainer.

NEAL KOCH

FOR YEARS WE'VE BEEN TELLING YOU THAT FIRST-RUN COMEDY STRIPS CAN OUTPERFORM EXPENSIVE OFF-NETWORK SITCOMS...

NOW LISTEN TO
GENERAL MANA
PHILADELPHIA

"I've always believed that the performance of a sitcom strip is the result of the quality of its content and production. That's why when Lorimar asked us to be the first station to strip 'It's a Living,' we considered their offer seriously. We looked closely at the quality of the writing and acting, the show's first-run track record, and the sensible license fee.

Believing that 'It's A Living' had great potential for ratings and profits, we scheduled it at 6:30PM in the middle of our sitcom line-up.

Well, not only did 'Living' hold its own throughout May, it raised our 6:30PM time period rank from 5th last year to 2nd this May, beating two affiliates and passing our independent sitcom competition in share and important demos. It also finished the sweeps with the second highest share of all sitcom strips in the market.

I guess it just goes to prove that in syndication it doesn't matter where a strip comes from, only where it has the potential to go!"

Jim Boaz
Vice President & General Manager
WTXF Philadelphia

LORIMAR
SYNDICATION
A LORIMAR TELEPICTURES COMPANY

WHAT JIM BOAZ,
GER OF WTXF IN
A, HAS TO SAY...

Monday-Friday 6:30PM

STATION	PROGRAM	HH SH	W18-49 (000's)	W25-54 (000's)	M18-49 (000's)	M25-54 (000's)	TNS/KDS (000's)
WPVI	ABC World News	34	136	163	126	138	34
WTXF	**IT'S A LIVING**	**12**	**90**	**69**	**62**	**45**	**114**
WPHL	Facts of Life	11	71	58	38	24	122
KYW	NBC Nightly News	11	33	34	36	40	14
WCAU	CBS Evening News	9	35	46	40	45	14
WGBS	All in the Family	5	23	23	14	13	16

Key Fringe/Access Sitcoms in Philadelphia

STATION	PROGRAM	TIME PERIOD	HH SHARE
WTXF	Family Ties	7:00PM-7:30PM	13
WTXF	Family Ties	6:00PM-6:30PM	13
WTXF	**IT'S A LIVING**	**6:30PM-7:00PM**	**12**
WTXF	Three's Company	5:30PM-6:00PM	12
WTXF	M*A*S*H	7:30PM-8:00PM	11
WPHL	Facts of Life	6:30PM-7:00PM	11
WTXF	Happy Days Again	5:00PM-5:30PM	10
WPHL	Diff'rent Strokes	6:00PM-6:30PM	9
WPHL	Diff'rent Strokes	5:30PM-6:00PM	9
WGBS	All in the Family	11:30PM-12:00AM	8
WPHL	Jeffersons	7:00PM-7:30PM	7
WPHL	Silver Spoons	7:30PM-8:00PM	7
WGBS	All in the Family	6:30PM-7:00PM	5
WTXF	M*A*S*H	11:00PM-11:30PM	5
WGBS	Gimme A Break	5:00PM-5:30PM	4
WTXF	Taxi	10:30PM-11:00PM	4
WGBS	Odd Couple	11:00PM-11:30PM	4
WGBS	I Dream of Jeannie	5:30PM-6:00PM	3

SOURCE: ARB 5/88 (HH SH "IT'S A LIVING" airdates only)

It's a Living
A WITT/THOMAS PRODUCTION

In Search of Salvation, a Twin Cities Indie Finds Rerun Heaven

Will slick repackaging bring new life to old programs?

Back in 1986, KXLI-TV's future looked dismal. Like many indies, it suffered from financial problems in a glutted TV marketplace. Executives from the then four-year-old Minneapolis station had only two options: Sell or shut down.

Then Dale Lang, chairman of Halcomm, and Joe Cohen, CEO of the Z Channel and Hughes Television Network, bought the property and hired consultants who determined that if KXLI were to survive in a market with four VHF and two other UHF stations, it had to scale down costs and serve up something new. Or old. Thus, in April of this year, KXLI was resurrected as the Twin Cities' "TV Heaven 41," a repository of old, inexpensive syndicated series grouped by genre and packaged and promoted in hip, MTV style. If it works, the folks at KXLI may syndicate the concept's packaging and promotion.

The philosophy behind TV Heaven 41 is akin to the narrow appeal of a cable network or radio station. The key to its success lies in delivering to advertisers the desirable 25- to 44-year-old baby-boom viewer while keeping programming costs in line. So far, TV Heaven 41 has increased ratings from "non-reportable" last year to 1s and 3s this year—low, but competitive with other indies in the market.

One of the first things KXLI did was drop its call letters and, like many radio stations (Z-100, Kiss FM), adopt a logo to define itself. It spent as much on promotion and advertising as it did on programming, and built campaigns around the tag "TV Heaven 41" ("Old TV shows don't die, they go to TV Heaven"). The point, says John Kramer, v.p. of KXLI, is to "create brand awareness."

For programming, the station bought a slew of older product that it groups into theme nights, typically running from 6 P.M. to midnight. "Duck and Cover" night (Mondays) is aimed at men and serves up a lineup of war shows including *McHale's Navy*, *Combat* and *Twelve O'Clock High*, followed by a movie in the same vein; Tuesday is Sci-Fi night; Wednesday, Comedy; Thursday, Western and Friday, Detective. Each evening is designed to appeal to a specific demographic group. During the day the station runs vintage shows but not in groups; weekends are devoted to marathons of theme shows.

MTV Networks' Nick at Nite cable service pioneered the idea of packaging low-cost retreads to appeal to baby-boomer nostalgia. In fact, MTV Networks' ad agency, Fred/Alan, created KXLI's on-air look, which is almost identical to the cable network's. Station IDs and program promotions are clever, slickly produced and make use of characters ranging from Ronald Reagan to a bogus swami. And, as in radio, the station relies heavily on contests to promote tune-in.

The atmosphere is fun and high trend, but how long will viewers buy it before they discover they're watching the same old reruns? Kramer is optimistic that the station can sustain itself long-term based on the success radio and cable have had with such a strategy. "With all the radio formats out there, 80 percent of the music they play is the same," Kramer says. "The thing that makes you different is the way you present the product." He also believes that TV Heaven will continue to work because it represents a "lifestyle commonality" among its target audience. "Old-time TV has the same effect as oldies radio. Our viewers were raised on TV. They understand what this programming is; they remember it."

Ultimately, however, advertisers will be the judge of whether TV Heaven can sustain eternal life. Doug McMonagle, the station's general manager, says TV Heaven is 50 to 60 percent sold out at $75 to $150 a 30-second spot—well below his goal of 80 percent sellout. Though some shows are pulling 2s and 3s, household averages still hover in the 1s. But McMonagle, who like Kramer used to sell cable advertising, doesn't like to talk average day or household numbers since TV Heaven is designed to reach specific demographic groups. That's how he pitches the station to advertisers. Knowing how long cable networks have bombarded advertisers with the same message, TV Heaven may have a tough row to hoe if it is to convince advertisers now that a broadcast station could—or should—operate in the same way.

CECILIA CAPUZZI

It's hip, it's trendy, but how long before viewers realize they're the same old reruns?

Catch TLC's Award-Winners!

Glenn Close host of TLC's "Likely Stories" fiction series was an Oscar nominee!

Target for mid-summer promotion…ad slicks are in our new affiliate promotion kits!

Academy Award-Best Documentary Short

for TLC's "Young At Heart," one program from our "It's About Time" series hosted by Celeste Holm, which focuses on the joys and hardships of our older Americans

Target for fall promotion…kits will be distributed this summer!

ACE Award-Best Documentary Series

for "Ordinary People," hosted by award-winning director Paul Mazursky, which examines the extraordinary features of seemingly common lives!

The Learning Channel has made a major commitment to new and exclusive programming… and it's paying off!

Call (800) 346-0032 to find out how you can catch our award-winners!

The Learning Channel

The smart choice on cable.

What's On

J • U • L • Y • / • A • U • G • U • S • T

Making McCable

by Kevin Pearce

JULY 25-AUGUST 11: The **Television Critics Association's** press tour each summer allows critics from around the country to meet the producers and stars of the season's new pilots. The event features shows from network, public and cable TV plus first-run syndication. **Synditel**, the syndication segment, was panned by the critics when it was first run in 1986, because the tour was essentially a program showcase—there was little access to the talent. But now, says **Betsy Vorce**, VP/public relations of **Viacom Entertainment** and a member of the Synditel steering committee, the event is a hit. "They're working sessions, kind of a round robin. Each press group has a room, and syndicators with their talent revolve from room to room. The press gets a half-hour with the talent, and then they move on." TCA president **Art Chapman** expects about 140 critics in Universal City this year.

. . . .

AUGUST 1-3: Everyone's been talking about it for years, but is cable marketing all talk and no action? Not according to the **Cable Television Administration and Marketing Society** (CTAM). The **CTAM 88** conference takes place in Boston this year with a focus on cable's programming future. For the first time attendees will hear from program producers. **TCI's John Malone** and **Viacom's Frank Biondi** will react to a panel consisting of **Ron Howard, Brian Grazier** and **Gary Smith**. Also, **Arthur Morrowitz, Video Software Dealers Association** president, will "engage in a rousing debate" with **Fred Vierra**, president of **United Cable**, over pay-per-view vs. home video. Former ***USA Today*** Life section editor **Joe Urschell** will characterize the new American consumer, so that cable can market to him/her, too, just like "McPaper." Forums will also be conducted on improving service, direct-mail tips, home shopping strategies—and a postmortem will be held on the $50 million National Cable Month.

. . . .

AUGUST 13: PBS holds the year's *last* on-air pledge drive. Even better, this is when many stations opt for nontraditional methods, like "pledge-free" or "pledge-light" drives, which cut down on televised pleading. This year the August campaign should net about $11-12 million, according to PBS's **Mike Soper**, compared with the $42 million collected in March.

. . . .

SEPTEMBER 2: Twenty-five years ago this day, ***CBS Evening News*** expanded from 15 minutes to 30 minutes, virtually creating full-fledged network news. **NBC** followed suit within a week. A year ago this month, NBC launched its ***Sunday Today Show***, which is doing fairly well: the show earns a 2.1 rating, up from last year's 1.6. Debuting *this* summer according to **Larry Grossman's** news-division annual report: a midday feature-oriented news program to be hosted by ***News at Sunrise*** anchor **Deborah Norville**. In the report Grossman also gives some hope to network election and Olympics employees that there may be some work for them next year. One possible spot: ***NBC News Summer Chronicle***, a series of one-hour specials to be hosted by **Connie Chung**.

. . . .

SEPTEMBER 1-14: A group of adult contemporaries from the radio business will be learning "guerrilla warfare" in Washington, D.C., at **Radio '88**, sponsored by the **National Association of Broadcasters**. But battling the competition is only one of 75 topics to be considered at the event. Others include Making the Morning, Playing Music Outside Your Format and TV Advertising. Representatives from 15 different program formats will set up listening rooms. Radio '88 will also include several days of engineering seminars, legal-issue panels (including special election-year concerns) and awards.

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 Kevin Pearce.* ●

CALENDAR

July 19: Seattle Advertising Federation luncheon. Speaker: Kay Koplovitz, USA Network president. Westin hotel, Seattle. Contact: (206) 623-8307.

July 23-30: Meteorologist short course, offered by Lyndon State College. Lyndonville, Vt. Contact: Donna Wheeler, (802) 626-9371.

July 25: Synditel. Registry hotel, Universal City, Calif. Contact: Sandy Quinn, (213) 653-3900.

Aug. 5-9: Georgia Association of Broadcasters summer convention. Callaway Gardens, Ga. Contact: William Sanders, (404) 993-2200.

Aug. 19-20: Utah Broadcasters Association annual convention. Cliff Lodge, Snowbird, Utah. Contact: Rich Radford, (801) 359-9521.

Aug. 24-28: 13th annual National Association of Black Journalists newsmakers convention. Adam's Mark hotel, St. Louis, Mo.

Aug. 30: Presentation of Community Service Programming and Public Service Announcements Emmy Awards, sponsored by the NATAS. Marriott hotel, New York. Contact: Bob Blake, (212) 586-8424.

Sept. 5-7: Satellite Broadcasting and Communication Association trade show. Opryland hotel, Nashville, Tenn. Contact: Magaret Parone, (703) 549-6990.

Sept. 6-9: Fourth Pacific International Media Market. Old Sydney Parkroyal hotel, Sydney, Australia. Contact: (03) 500-9311.

Sept. 7-9: Eastern Cable Show, sponsored by Southern Cable Television Association. Merchandise Mart, Atlanta.

Sept. 8: Presentation of news and documentary programming Emmy Awards, sponsored by NATAS. Waldorf-Astoria, New York. Contact: Bob Blake, (212) 586-8424.

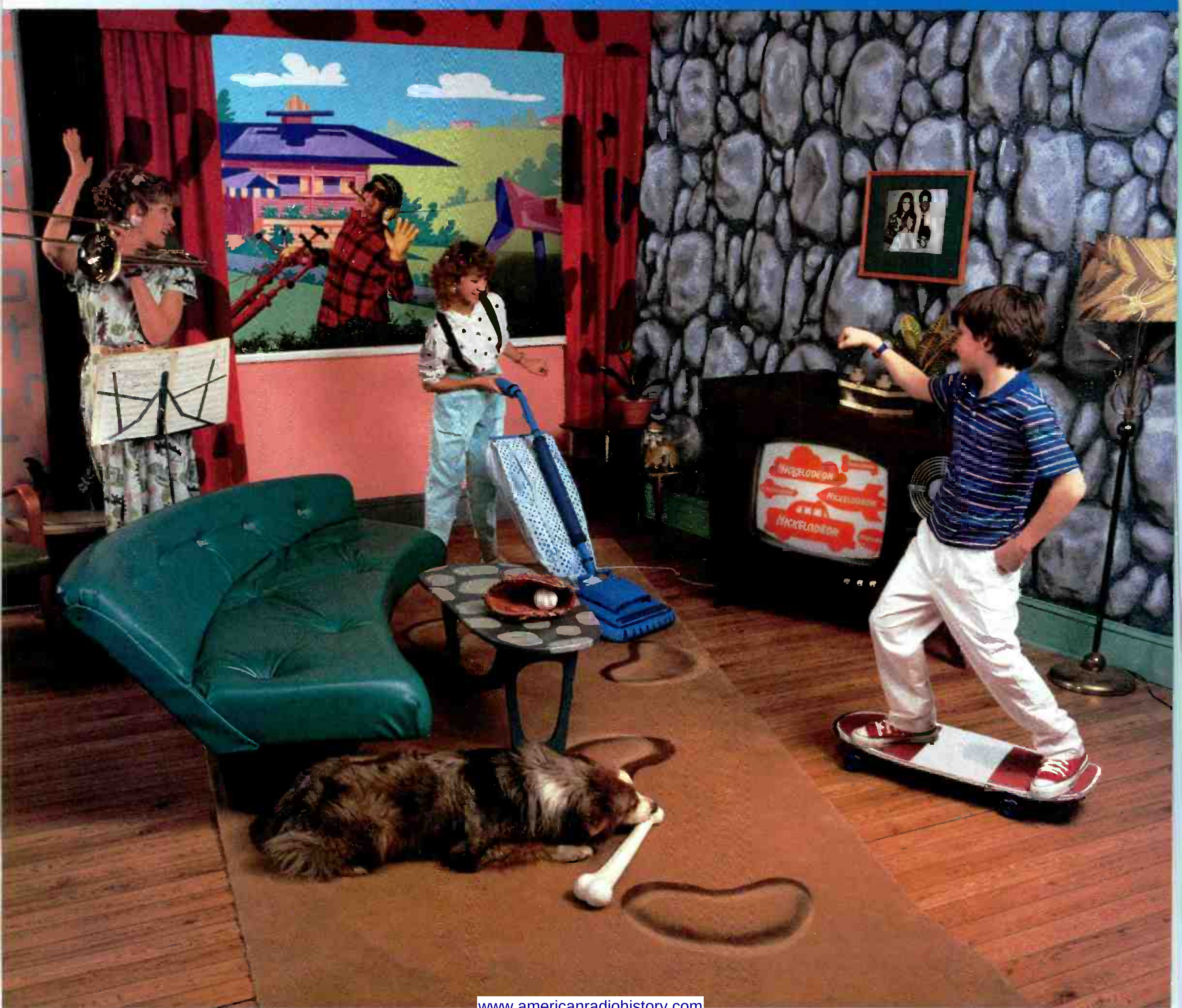
Sept. 13-16: International Institute of Communications 19th annual conference. Westin hotel, Washington, D.C. Contact: Eduard Berlin, (212) 559-3419.


Quick as you can say Arbitron
Quick as you can say Arbitron, you can easily "crunch" estimates, dayparts, demos. Define audiences by more than just age and sex. AND get professional presentations in a flash.
Quick as you can say Arbitron, our PC applications handle more information than ever before. In the time it takes you to slip a diskette into your personal computer, you can have at your fingertips all the information you need for decisions that pay off.
Join the 318 television stations already using Arbitron PC applications. Call your Arbitron representative today. Let us show you how our PC applications save you money so you can make more money every day. Quick as you can say Arbitron.
ARBITRON RATINGS
ARBITRON RATINGS
© 1988 Arbitron Ratings Company

NICKELODEON

NICKELODEON®

The first kids' network...



NICKELODEON®
NICK at NITE®
NICK at NITE®
regardless of your bedtime.
© 1988 MTV Networks
NICK at NITE

User-Friendly, at Last

by Steve Behrens

Out of the cable networks' ratings chaos will come a comprehensive pocketpiece.

Later this year cable-network ratings will probably move out of their ghetto and into the numbers mainstream with the first standard Nielsen "pocketpiece" report giving the networks' program ratings and demographics side by side.

"Everybody agrees that a standard report is a good concept and that it should be done—and it will be done," says Dave Harkness, senior v.p. at Nielsen Media Research.

The move to a unified report with readily comparable dayparts and demos will make a handsome display for the basic networks' soaring ratings (see chart)—and it will also overcome one of their major handicaps in selling ads. For audience data on each network, time buyers must riffle through separate pocketpieces—custom compilations of Nielsen data designed by the networks to show off their strengths.

"You can understand from the buyers' perspective when you look at the pocketpieces," says Mark Mersky, research chief for The Nashville Network. "Some come out monthly, some quarterly, some have demos and others don't. It makes it very difficult to make a buy."

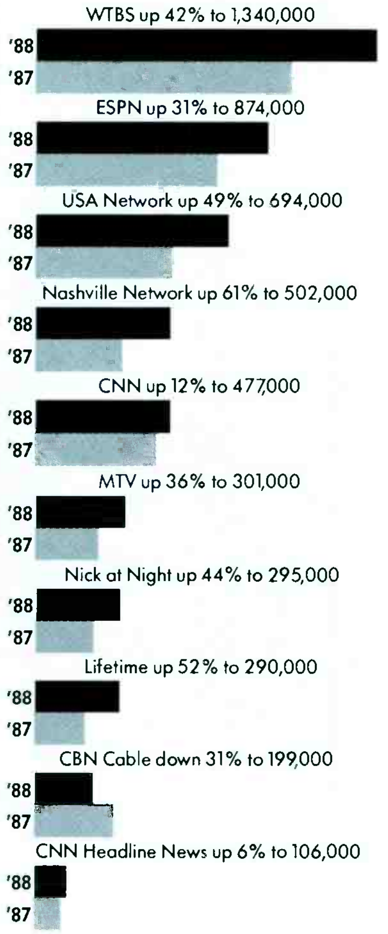
In the words of Richard Zackon, a research consultant to CBN Cable: "We might have shot ourselves in the foot a little bit by not making it easier for the agency people."

There *have* been some unified reports on cable ratings, but they've been far from ideal. For years the cable-network ratings have been found together in the Nielsen Cable Activity Report (NCAR), but until recently it has lacked demographics (now published in a supplement), and it still lacks program ratings—it gives daypart ratings only. NCAR also comes out just four times a year. AGB Research also recently debuted its Cable Network Monthly Report, which began with December data.

Nielsen's new unified cable pocketpiece probably will come out monthly, too—not weekly like the network and syndication pocketpieces. And it won't have ratings for every quarter hour as the network book does. "Who wants a report the size of a Manhattan phone book?" asks Harkness. And he says the sample size is too small to give stable data in such daily detail for the cable networks. Even with daypart ratings, AGB flags the dubious data in its new monthly cable book with little arrows—one arrow if the sample error is equal to 25 percent of the rating, two arrows if it's 50 percent or more.

BREAKTHROUGH YEAR

Most major cable networks (except CBN) took big strides in average prime time household audience between the first quarters of '87 and '88.



Source: NCAR, Nielsen Media Research

Cable networks will find it especially useful to have program-by-program ratings since their daypart ratings are only tenuously linked with programs. All but USA, Nickelodeon and Lifetime rely on single satellite feeds nationwide, so their prime time numbers reflect viewing of one set of shows in the East and another in the West.

The final format for the unified book hasn't been set—Nielsen is still bargaining with the networks—but there's already a consensus that the cable networks will continue publishing their own ratings reports to supplement the unified book.

MTV, for example, will be making sure that advertisers see data from a custom phone survey on MTV's teen viewing and Nickelodeon's child audience. The survey yielded numbers higher than those from the people meters, which become Nielsen's source for cable demos in October. "We just hope media buyers will make sure they have all the relevant information and not simply use the one book that lists the numbers of eyeballs," says Marshall Cohen, senior v.p. of MTV Networks.

Though the USA Network and others have long favored a unified book, until recently most cable networks have resisted being "forced into the broadcast mold," and they still plan to maintain their own quirks in supplemental reports. "There is no simple solution," observes Harkness. "There is no one method that works for everybody." Turner Broadcasting combines CNN and Headline News ratings even though they are separate channels. Arts & Entertainment airs the same programs (with ads intact) twice a night and combines the audiences. ESPN prefers to highlight its male demos and CNN to play down its aged audience. FNN brags about its ratings in $30,000-plus households.

The cable numbers scene may appear to be unruly, but there's gold in those differences. Nobody proposes to rob the cable networks of their strongest selling points. ●

The New Beaver™ BEATS THE BIGGIES!

THE NEW BEAVER WINS HEAD-TO-HEAD IN ATLANTA!*

Feb. '88, Mondays, 6:30PM	RTG	SHR	WOMEN (000) 18-34	WOMEN (000) 18-49	WOMEN (000) 25-54	MEN (000) 18-34	MEN (000) 18-49	MEN (000) 25-54	T/K
NEW BEAVER (WTBS)	**7**	**10**	**48**	**73**	**71**	**15**	**33**	**43**	**84**
Gimme a Break (WATL)	6	9	18	25	15	11	12	6	86
Wh.Happ.Now (WGNX)	6	9	28	51	42	7	17	11	64

AND THE NEW BEAVER BEAT EVEN MORE BIGGIES WHEN TWO EPISODES RAN AS A 1-HOUR SPECIAL!**

Monday, April 11, 1988, 6:00-7:00PM, Atlanta

AT 6:00PM...	RTG	SHR	...AND AT 6:30PM!	RTG	SHR
NEW BEAVER (WTBS)	**7.4**	**12**	**NEW BEAVER (WTBS)**	**9.4**	**14**
Family Ties (WATL)	4.2	7	Gimme a Break (WATL)	4.6	7
Diff'rent Strokes (WGNX)	5.5	9	Wh.Happ.Now (WGNX)	6.8	10

YEAR TO YEAR, THE NEW BEAVER IMPROVES DRAMATICALLY—OVER ITSELF!*

	RTG	SHR	WOMEN (000) 18-34	WOMEN (000) 18-49	WOMEN (000) 25-54	MEN (000) 18-34	MEN (000) 18-49	MEN (000) 25-54	T/K
			+140%	+181%	+318%	+25%	+50%	+139%	+140%
FEB. '88 NEW BEAVER	7	10	48	73	71	15	33	43	84
FEB. '87 NEW BEAVER	2	3	20	26	17	12	22	18	35

Now, the Beaver and his family are ready to give your families something to laugh about every day of the week. And at last, you can tell your viewers: "We're bringin' back the Beav!"

Source: *Arbitron 2/88, Atlanta. **NSI Atlanta, as dated.
©1988 Hal Roach Studios, Inc. All Rights Reserved.

The New Leave It To Beaver™

85 New Episodes, Available Fall '88 or '89.

HAL ROACH STUDIOS

Los Angeles 213/281-2600
Midwest 319/277-5406
New York 212/956-2090

“The Movie Channel has done everything right...

the product is right for the audience. The packaging is fresh and appealing; the marketing program solid. We're expecting big things from The Movie Channel in 1988.”

Larry Higby
Senior Vice President, Marketing, Sales and Programming
TIMES MIRROR

“Opportunities still exist...

for a well positioned, programmed and attractively priced premium service. Prime Cable looks forward to reintroducing the new The Movie Channel.”

Ron Dorchester
Senior Vice President of Operations
PRIME CABLE

“We are very encouraged by the product's dramatically improved performance.

As a company with 100% distribution of The Movie Channel, we look forward to seeing the full benefit of the repositioning rollout in May and beyond.”

Lowell Hussey
Senior Vice President, Sales, Marketing and Programming
WARNER CABLE COMMUNICATIONS, INC.

Find out what's new about The Movie Channel.

Call: Western Zone (303) 850-7380 or
Eastern Zone (404) 396-1333

The Sporting Battle

by Cecilia Capuzzi

The Sunshine Network squares off with SportsChannel Florida—and the viewer loses.

In March of 1987, when ESPN nabbed rights to telecast National Football League games, it was a victory for the entire cable industry. Operators, especially, celebrated the deal as a benchmark in cable's long, hard road to the television mainstream. But when it came time to pay the piper, and ESPN swept through markets demanding an additional 9.25 cents per sub per month to finance the games, many operators balked—even as they anted up.

The experience wasn't lost on a consortium of system operators in Florida. In March 1987, as executives from Chuck Dolan's SportsChannel surveyed the state as a site for the company's fifth regional sports network, operators from 11 Florida cable companies already were trying to maintain control of the state's sports programming. In February they had launched the Sunshine Network as a basic service, with a programming mix of sports and public affairs.

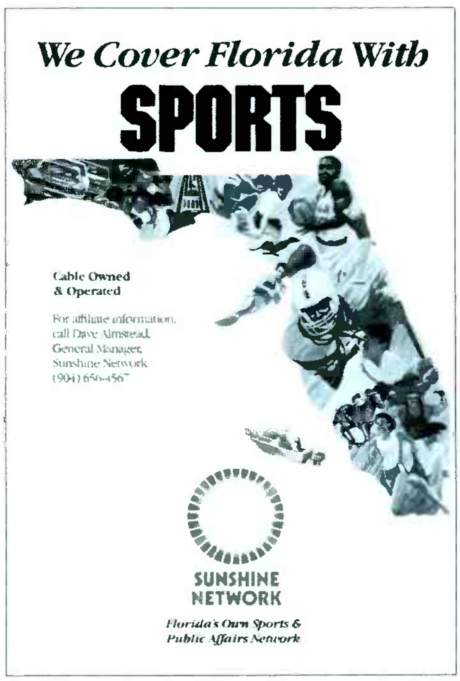
But Sunshine's creation did not keep SportsChannel from what is potentially a lucrative sports market. Now both compete for Florida sports enthusiasts, and while it's not unique to pit two regional sports services against each other (SportsChannel New England and New England Sports Network go head to head), the difference in Florida is that 11 cable operators have a 51 percent financial stake in Sunshine—and ten of them have refused to carry the Dolan service from the North. SportsChannel Florida, a basic service with 250,000 subscribers, has stronger programming; but Sunshine, with 1.7 million subscribers, has the distribution (62 of the 72 systems that carry it are owned by companies with an equity interest in the network). Operators say they can't afford to carry both. Local TV-sports writers and other observers, however, say the decision to exclude Cablevision's SportsChannel borders on restraint of trade.

Now SportsChannel has to figure out how best to market itself not only to the consumer but, more importantly, to a

very resistant group of operators. And it is finding that sales efforts to the two groups should go hand in hand: It must create demand among consumers, who will ultimately pressure operators, while at the same time convincing operators to poll their customers to determine the demand for SportsChannel.

"The consumers are sick and tired of having operators tell them what is and is not available to them," says Jeff Genthner, g.m. of SportsChannel Florida. "Subscribers pay a nice dollar for cable here and can't understand why the decision is not theirs. Ultimately the operator has to listen."

While Sunshine g.m. Dave Almstead claims his network programs "everything" SportsChannel does, in fact SportsChannel has quite a different—and more popular—roster. Besides airing games from various northern pro teams (including the Mets, Yankees and White Sox), SportsChannel also has exclusive rights to sporting events from the Universities of Florida, Miami, South Florida and Jacksonville University, as well the Sunshine State Conference and the new Florida NBA franchise, The Miami Heat. Genthner estimates that two-thirds of the network's programming features local teams. Its menu far surpasses Sunshine's, whose major draw is rights to Florida State University home sporting events, including baseball, basketball and football. Sunshine also has rights to games from schools with B-level teams,



SportsChannel has the high-profile programming, but Sunshine's distribution is stronger.

Aaah...Fresh Air

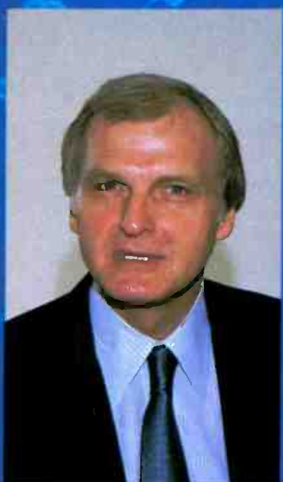
While the broadcast networks cook in a swelter of summer reruns, **The Discovery Channel's** new season of programming offers a real breath of fresh air.

World-class documentary entertainment is what your subscribers have come to expect from **The Discovery Channel** and now we're introducing our strongest line-up ever.

The New Season on **The Discovery Channel.** It's no wonder that your subscribers will be breathing easy about the choices they've got only on cable.

Promote cable's "fresh air," watch for your advertising and promotion materials for **The Discovery Channel's New Season.**

Eastern and Central Region **(301) 577-1999;** Western Region **(415) 391-9300.**



World Monitor

This premiere nightly half-hour program from The Christian Science Monitor will examine the hows and whys of significant issues and events of the day. Hosted by **John Hart,** formerly of NBC News, ***World Monitor*** will link correspondents live from London, Tokyo and Washington, DC. with the Boston-based studio.

Premieres Monday, September 12. Airs nightly, Monday-Friday at 7pm ET/4pm PT and 1am ET/10pm PT.

America Coast to Coast

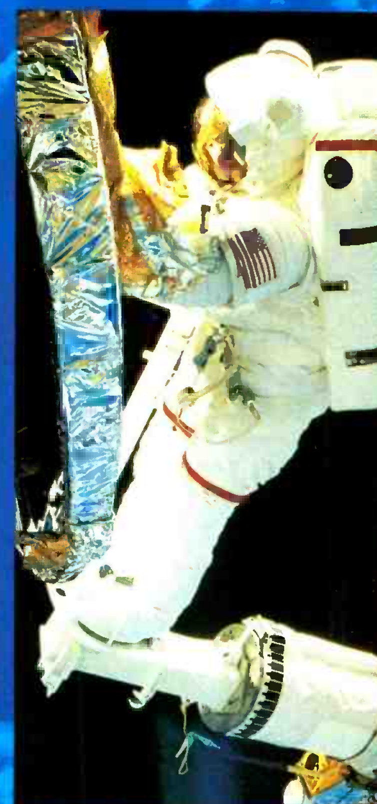
Bypass the interstates and take to the backroads in a search for the heart and soul of America. An ever-changing collection of films will celebrate the rich fabric of American life in **The Discovery Channel** anthology **America Coast to Coast.**

Premieres Monday, August 15. Airs Mondays at 10pm ET/7pm PT, Saturdays at 2pm ET/11pm ET and Sundays at 1am ET/10pm PT.

Jack Thompson Down Under

Explore the characters and lifestyles down under as **Jack Thompson,** internationally renowned actor, unfolds the Australian frontier from the Outback to the Great Barrier Reef.

Premieres Tuesday, September 6. Airs Tuesdays at 8pm ET/5pm PT and Thursdays at 11pm ET/8pm PT.



The Race to Space

The Race to Space anthology recounts the contributions of those who've managed one of our greatest human achievements: the landing of a man on the moon.

Premieres Sunday, September 18. Airs Tuesdays at 1pm ET/10am PT, Thursdays at 2am ET/11pm PT and Sundays at 8pm ET/5pm PT.

THE Discovery CHANNEL

New Season Programming You Can Promote!

including Florida A&M, Stetson and the University of Central Florida.

Since its debut last December, SportsChannel has focused its marketing efforts in regions around the schools where it has TV sports rights. So far, in seven markets, the tactic seems to be working. SportsChannel has supplied operators with extensive marketing materials, built around the tag line "We've got the ball," including bill stuffers and ad slicks. The service advertises on radio and through direct mail, and SportsChannel executives have been careful to cultivate press relations, sending a steady stream of announcements to TV-sports writers and TV-listings editors at newspapers in each region, apprising them of special events and schedule changes. Schools with SportsChannel rights agreements have also actively promoted the service to students and alumni. Stories about the service are included in alumni newsletters and, in a couple of cases, universities asked that alumni send cards, provided by the school, to cable operators, requesting SportsChannel. Says Rod Mickler, SportsChannel director of marketing and sales: "We feel that if consumers understand the product we have, we have a good chance. All we're asking for is a level playing field."

That may not be easy to come by. The channel's efforts to achieve its goal of 1.2 million subs by year-end have been consistently undermined. Last year, rumors circulated that it was part-owned by Telesat Cablevision (the branch of Florida Power and Light that is overbuilding the state); and an elaborate dinner sponsored by SportsChannel for Florida operators was mysteriously canceled by an anonymous call to the hotel where it was scheduled.

SportsChannel's competition has always enjoyed a grass-roots advantage. The seeds of what would become Sunshine Network had been planted about two years before SportsChannel looked into establishing a franchise in Florida. Continental in Jacksonville had been covering sports in its area and beaming them to other Florida systems, and there was talk of developing the practice into a statewide network. But until the operators were faced with what they perceived as an outside threat in the form of SportsChannel, little had been done to formalize arrangements.

SportsChannel, an old hand at the regional sports business, acted quickly and decisively. While the operators were trying to work out the details of an agreement, SportsChannel was negotiating deals with Florida colleges. "SportsChannel was offering considerably more money, more games and an earlier start," says Larry Wahl, associate athletic director for communications at University of Miami. "We knew we were sacrificing distribution in the short term, but the product is too good, and SportsChannel's commitment to the market is greater." Adds David Steele, network coordinator for University of Florida: "We felt more comfortable with SportsChannel because of its track record. It was committed to a sports network, while Sunshine was offering sports and public affairs. We felt that fans, with the product SportsChannel has in other areas, would prefer it."

Sunshine *does* have FSU, and has aired some pro games (mostly Texas teams) pumped in by managing partner Home Sports Entertainment of Dallas & Houston, which owns 49 percent of the network. But from the start it has suffered from production problems.

> SportsChannel is hoping more systems will follow Paragon's lead and *ask* subscribers which network they would prefer.

"Compared to SportsChannel," says a TV-sports writer for a major Florida paper, "Sunshine looks lame. They're doing everything on the cheap. Subscribers are outraged. I get calls all the time complaining that they can't get SportsChannel. I never get calls complaining they can't get Sunshine. I tell them to bug their cable outfit."

In the meantime, SportsChannel, with an obligation to the University of Florida to reach 1.5 million TV viewers with telecasts of its games, has had to rely on over-air distribution on low-power TV stations.

Ultimately, however, SportsChannel needs distribution that is exclusively on cable if it is to make a profit. Genthner and Mickler are hoping that more system operators will follow Paragon Cable's lead and *ask* subscribers which network they would prefer. Though Paragon has a financial stake in Sunshine, marketing v.p. Jeb Seder decided he should give subscribers the service they wanted. Three of four Paragon systems in the area now carry SportsChannel instead of Sunshine. Its Lakeland system, which caters to an older audience, preferred Sunshine and its public-affairs programming.

To bolster interest among consumers, SportsChannel will start a statewide marketing campaign at the end of the summer. Adapted from SportsChannel New York's successful "We're standard equipment for the New York sports fan," the campaign will hit at the start of the biggest sports season of the year.

But if operators continue to hold out, Genthner says he *will* negotiate with the competition—Telesat. "If we can't get distribution with MSOs, we have no alternative," says Genthner. "Telesat is a viable option." But some believe the strategy will make the operators even more intransigent. Says Tom Horn, g.m. of Jones Intercable in Broward County: "I think it would backfire and seal SportsChannel's fate."

Cable operators claim that channel capacity and economics prevent them from carrying both services. But observers say those are "excuses." Last year, when SportsChannel was trying to give away Miami and Florida games to systems to increase circulation, it couldn't get takers. Sunshine operators claim SportsChannel rates start at 22 cents for the first year's carriage and climb to 60 cents during the fifth year. SportsChannel says it charges 35 cents in the fifth year.

Some operators want SportsChannel, but only as a pay service. Thomas Walsh, v.p. and district manager of American Cablesystems of Florida (owned by Continental), estimates his basic rates would rise between 50 cents and a dollar if he added the service now.

Sunshine, at 20 cents per subscriber per month (Almstead says there are no plans for an increase), may have reasonable rates, but it can't always afford star teams or professional-looking telecasts. And while Almstead claims the network "broke even the day it went on the air," Dave Reid, director of communications for Continental Cablevision in Jacksonville and a v.p. of the Sunshine Network, says he's lucky to make back 4 or 5 of the 20 cents per subscriber per month that he pays.

Whether the state can sustain both services is still an open question, but many observers agree that if SportsChannel secures rights to Florida's newest NBA team, the Orlando Magic (which both it and Sunshine are bidding on aggressively), Sunshine won't have an easy time. "Let's face it," says the TV-sports writer. "The reason Sunshine and SportsChannel are here is for pro sports—that's where the money is made. I don't know how long the operators can hang on." ●

The Public Eye

by Les Brown

Fighting Cable for the Cream

Throughout the 1980s, public television has maintained the audience level it held in the '70s, around a 3 percent share overall.

There are two ways to view this statistic. One is with dismay at the flatness of it: there was no growth, no gain in influence. The other is with a sense of relief: to many within the system it means public TV has withstood the tides of cable and home video in this decade.

But that sense of relief may be premature. Cable has started draining public television's most important source of supply, beating it in the program market for the best of Britain's shows.

For example, after having aired *Planet Earth* and *Life On Earth*, the first two series in the celebrated David Attenborough trilogy, PBS lost the latest one, *Trials of Life*, to Ted Turner's TBS. *Frontiers*, a BBC documentary series on life at the common borders of countries in Asia and Africa, thought to be a natural for public TV, went instead to The Discovery Channel. Bravo has bought out the entire output of *The South Bank Show*, a British series that New York's WNET used to feed off of for *American Masters*, its biography anthology of Americans in the arts.

> 'Our system is in trouble because we can't whip out a checkbook and buy on the spot as cable networks do,' says WNET's Price.

Also bidding aggressively for the quality English shows is Arts & Entertainment, which is now the BBC's biggest U.S. customer and coproducer of numerous shows, including *Divided Union*, with Channel 4. And Turner's new TNT network is just entering the game.

"This has been going on for more than two years, but we're only just starting to feel it—costs rising and lost opportunities," Hugh Price, senior vice president of WNET, told me recently. "Our system is in trouble because we can't whip out a checkbook and buy on the spot the way the cable networks do. And with competitive bidding, the prices go up as much as 40 percent, which hurts even more because of the sagging dollar."

Public television used to pay the Brits $50,000 an hour typically. Now the price is up to $85,000, and rising. No programs automatically go to PBS any longer. Indeed, public TV is in danger of winding up with leftovers.

Price says: "In the past we had two things going for us that we've since lost: time and no competition."

When there was only one place to sell their wares in the U.S., British distributors were patient with the arcane ways of our public TV. If there was interest in a program by WNET, WGBH or any other PBS port of entry, the U.K. companies knew it could take as long as a year to cement a deal. In that interval, the stations would be out trying to raise the money from the PBS membership cooperative, corporate underwriters, the Annenberg Fund and the Corporation for Public Broadcasting.

The process is excruciating, because it is subject to the system's voting procedures and such other nightmares as peer-review panels, academic-review cycles and various board approvals.

British companies can be forgiven for not wanting to put up with that if there is a ready buyer with cash in hand. With Attenborough's *Trials of Life*, public TV was given 30 days to raise the money, and of course couldn't.

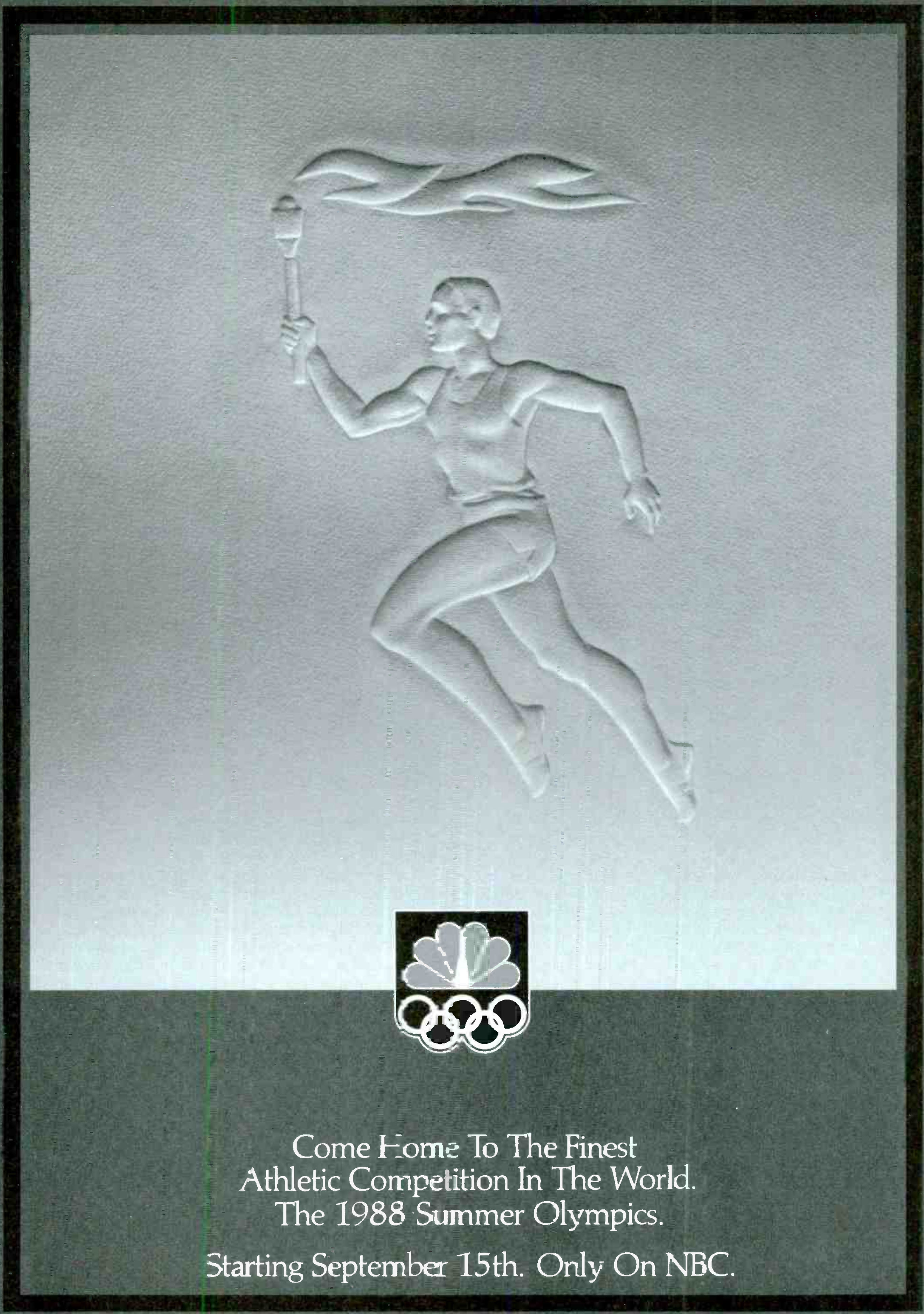
The slowness of the process aside, Price deplores the energy expended by the number of people constantly running around trying to raise funds, "the terrible waste of manpower and man-hours."

Clearly there is a crisis looming for public TV, whose dependency on U.K. imports once prompted an executive to wonder where PBS would be if the British didn't speak English. Obviously something must be done to give public television a faster checkbook. Price suggests that the system create a pool for acquisitions and trust the larger stations like WNET to spend it responsibly. That sounds logical, but knowing how the system operates I'd have to say it's improbable.

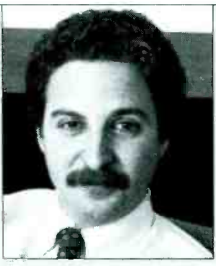
The odds are that the commercial cable networks will continue to skim off the best that Britain has to offer and that PBS will become the U.K.'s last resort here. This may not be as tragic as it sounds, because it will force public television into becoming its own main source of programming. The system might well adopt the model of England's Channel 4, investing its trust and money in a central body that would commission original programs and coproduce major works with foreign companies.

I agree with Price who, in commenting on the blurring identity of public TV with such cable networks as Discovery and A&E, remarked: "We've got to finance our own ideas and become less dependent on acquisitions. The more we buy, the more passive we are as a system. We've got to assert now what is uniquely ours."

A vigorous, productive public television system would have a chance to expand its audience beyond 3 percent, and maybe even rise out of that harmless media category network researchers call Other. ●


Come Home To The Finest
Athletic Competition In The World.
The 1988 Summer Olympics.
Starting September 15th. Only On NBC.

The Business Side



by Merrill Brown

Why TV Gropes for Leaders

It's no secret in Washington that the television business has rarely produced leaders either willing to take aggressive, well thought out positions or capable of the leadership found elsewhere in American industry. But there's never been a leadership void in the business as keen as there is today. It is a problem that applies not only to the political world, but to the solving of industry problems across the board.

In fact, it gets harder, as the industry matures and old-line owners and managers pass from the scene, to even name leaders. That's why NBC president Robert Wright, for example, a man with a limited background in cable and no broadcasting experience before taking over NBC just two years ago, has emerged as a spokesman for the industry on issues ranging from the financial-interest rules to the future of high-definition TV.

Obviously, it isn't easy to define leadership. In the days of network dominance, it was relatively simple to name the field's leaders. Because of their titles, people with such names as Paley, Sarnoff and Wood were automatically considered industry leaders. Washington agendas were relatively simple in a comfortably regulated world, and contemporary matters such as copyright and program-ownership issues, HDTV and signal carriage were not yet on the agenda. Networks, moreover, because of the power of their news operations, were leery of getting involved in politics, a fact altered only by the early eighties fight over the financial-interest rules. Things have changed because of deregulation, TV's hotly competitive nature, technological innovation, the proliferation of programs and distribution mechanisms and the increasing stakes at hand. There are more issues and players.

> Although there have never been tougher issues on the horizon, the television industry seems lost, devoid of confident leadership.

No longer, therefore, can groups like the NAB and the MPAA resolve issues via FCC filings. No longer can an Eddie Fritts or a Jack Valenti, on their own, solve disputes along M Street or in private retreats. And no longer are strategic concerns and resulting corporate positions easily defined. After all, MCA is a producer, broadcaster and cable-network owner. Warner Communications is at the center of the ongoing debate between Hollywood and cable, with significant holdings in each. In short, it is time for newer players and new leadership to emerge in television.

But despite the importance of the political/business agenda, the eighties have not produced a new generation of television industry leaders. On the trade-association front, Jack Valenti was, is and probably will remain, for as long as he chooses, a major, highly visible figure, but a leader nonetheless whose power has been limited by the end to the old ways of horsetrading in Washington. Of the new network chiefs, only Wright has tried to emerge as a major figure eager to assert public, visible positions. Longevity, outspokenness and bravado ensure Ted Turner and HBO's Michael Fuchs positions as leaders, but it is difficult for most observers to name other figures in cable networking. In the station business, group heads rarely emerge as industry leaders, although the aggressive positions taken by Post-Newsweek chairman Joel Chaseman on such issues as HDTV can, on occasion, produce genuine leadership. Chaseman also gains visibility because of his full-time Washington presence. But how many group moguls come to mind in chats about leadership?

On the studio front, Fox's Barry Diller and MCA's Sid Sheinberg can be forceful and outspoken about gut issues like the power of cable and labor-relations issues. But neither chooses to devote substantial amounts of time and energy to building visibility among the public by appearing on the luncheon circuit, writing articles or hitting the New York-Washington political axis. And only John Malone has emerged as a dominant figure in the cable-system world, a fact due to his deal-making prowess and not to his efforts to emerge as an industry leader.

In fairness, not many figures can become as dominant and powerful on a national scale as IBM's Tom Watson, Chrysler's Lee Iacocca, Citibank's Walter Wriston and James Robinson III of American Express. But, on the other hand, there are vital issues facing the television industry that require visible, active leadership and well thought out, even statesmanlike, positions. The future of high-definition television is just one example. There are very significant program-ownership, distribution, regulatory and social issues that require bold thinking and active courtship of public opinion. Other newly emerging, relatively young executives like Michael Eisner, George Gillett, Mel Harris and Frank Biondi could fill a clear leadership void. Whether or not they do depends on whether their companies are as savvy as they ought to be in building not only self-interested views but also leadership capable of taking television into the nineties. ●

ESPN president Bill Grimes (left) and Steve Bornstein, executive v.p./programming and production.

CABLE

On A Winning Streak

ESPN's hot, but the competition is heating up, too. Can ESPN hold on to its turf? By Noel Gunther

Five years ago, advertisers ignored Bill Grimes, but now, on a sunny spring day in New York, he commands their attention. Three hundred media buyers have filled the Plaza Hotel's Grand Ballroom, with its fluted Corinthian columns and imposing chandeliers. Grimes, tall, blond and balding, hunches over a podium, peers out over his reading glasses and delivers a simple message: ESPN has arrived.

For Grimes, the 47-year-old president of ESPN, these are sweet times. After years of presenting Ping-Pong and pocket billiards, his all-sports network has finally reached the major leagues. Grimes is soft-spoken and not given to gloating, but as the ad men swirl around him after lunch, he takes pleasure in looking back.

"Five years ago, I'd walk into a cocktail party and people would feel sorry for me," he says. "Somebody would say, 'I read that you lost a billion dollars,' and I'd say, 'yeah, that's us.' After a while, I was almost embarrassed to tell people I was with ESPN. I'd just say, 'I used to work for CBS.' "

Nobody feels sorry for Grimes anymore. Last year, ESPN became the first cable network to reach more than 50 percent of American homes—47 million of them this year—and the first to present a weekly series—*Sunday Night Football*—that delivered broadcast-style ratings. After six years in the red, ESPN generates prodigious profits for its owners, Capital Cities/ABC (80 percent) and RJR Nabisco (20 percent). In 1987, ESPN earned an estimated $60 million on revenues of $250 million. This year, profits will top $80 million, making ESPN the second-most-profitable U.S. network, behind NBC.

It has flourished by exploiting dual revenue streams—taking money from cable operators as well as advertisers. To keep the money flowing, ESPN nurtures loveless marriages with its affiliates. As the rates operators pay ESPN have risen—they're now the highest in the business—the MSOs have started looking for ways to cut ESPN down to size.

More ominously, ESPN faces increasing competition in its pivotal battles for sports rights. As negotiations begin this fall for Major League Baseball and later for a cable package of 1992 Summer Olympics events, three new buyers will crash the party. In March, Ted Turner announced the launch of TNT, a cable network that will bid for major sports events. In June, NBC agreed to lease Tempo Television from TCI, with plans to carry sports as much as 12 hours a day. And SportsChannel America, which recently outbid ESPN for NHL hockey rights, plans to bid on Major League Baseball for the five regional cable sports services it operates.

Bidding for sports has always been intense, but now with so many others joining the crowd, it's becoming cutthroat. "Competing for rights is like a boxing match," says Seth Abraham, HBO's senior v.p. for sports. "You don't go to a boxing match to kiss. What we do is not for choir boys. You have to be tough."

Bornstein gambled on the bid to reclaim America's Cup.

The Battle of Waterloo, said the Duke of Wellington, was won on the playing fields of Eton. J. William Grimes toughened up in a more plebeian setting—on the basketball courts of Wheeling, W. Va. A six-foot guard, Grimes won an athletic scholarship to West Virginia Wesleyan ("Harvard of the Appalachians," he says), where he started for three years. During college, he was planning to teach English or coach basketball. But his girlfriend Barbara was a New Yorker and when they married, Grimes took a job as an insurance claims adjuster in New York.

By 1968, he landed a job selling spots for New York's WCBS-AM. Grimes moved up quickly at CBS, earning eight promotions in 13 years and advancing to v.p. of CBS's broadcast group. In 1981, when the presidency of CBS Radio opened up, Grimes sought the job but didn't get it. Restless and discouraged, he broke out of the CBS cocoon and moved, of all places, to ESPN, as executive v.p.

At the time, leaving CBS for two-year-old ESPN was like leaving the Yankees to play beer-league softball. ESPN was run out of a Bristol, Conn., trailer, airing tractor pulls, slow-pitch softball and billiards. With a small staff and a tiny budget, ESPN had to scramble to fill its schedule. "We called local colleges to see if they were playing hockey that night," says Steve Bornstein, ESPN's executive v.p. for programming and production, who's been at ESPN since its second year, 1980. "If they were playing, we'd buy the game on the spot." By Grimes' arrival, ESPN had lost $50 million and a turnaround was nowhere in sight. But even in those dark days, ESPN had one promising asset: It had staked out the all-sports format, and instant identity.

When ESPN president Chet Simmons resigned in 1982, Grimes achieved the post that had eluded him at CBS. Grimes hired Roger Werner, an energetic consultant from McKinsey & Company; together, they assembled a management team that remained intact until Werner left ESPN in April to join Cap Cities/ABC corporate management. The two of them resisted the temptation to tinker with the sports format, save for the addition of a daily business-news show. Grimes, the former hoop star, took care of sports played with a ball; Werner, outdoorsman and daredevil, brought in skiing and skating, surfing and auto racing. While Grimes talked pick-and-rolls with Big East commissioner Dave Gavitt, Werner would be taking Goodrich executives through race-car driving school—and urging them to advertise on ESPN. Meanwhile, Bornstein, the shrewd, chain-smoking programmer, ran the shop, buying events, producing them and coaxing a young staff into long hours for low pay.

ESPN turned its first profit in 1985, but it was two 1987 events that really put the network on the map. First was the America's Cup from Perth. Hardly anyone had watched ESPN's coverage of the 1983 race when Australia took the Cup, but Bornstein thought Americans would want to see whether Dennis Conner could reclaim it. So Grimes gambled—at Bornstein's insistence—and carried races live in the middle of the night. The production was stunning, the ratings strong and advertisers loved the demographics. Then in March '87, ESPN bought a piece of the most valuable franchise in sports TV—the National Football League.

Grimes had eyed the NFL for years, but the league had never gazed back. By 1986, however, the other networks were losing money on football and Grimes saw a chance he couldn't afford to fumble. "If cable rights had gone to a competitor," he says, "those rights could have provided the foundation for a competing network."

While Grimes prepared to bid for prime time games in the spring of '86, John Sie, senior v.p. of Tele-Communications Inc. (TCI), organized 25 of the top 30 MSOs into a consortium with the muscle to bid for big-event programming. That June, Grimes met with the consortium, urging it to support ESPN's bid for *Monday Night Football*. The operators were leery: They feared congressional scrutiny if *Monday Night Football* were taken off "free" TV. But if it were, they wanted to own it themselves. By mid-summer, they had thrown down the gauntlet: They would bid for a package of games on their own. ESPN bristled at the power play. "We'd been struggling just to eke out our first year of profit," says Werner, "so we were determined not to lose control over essential raw materials."

Grimes, Werner and Herb Granath, ABC Video Enterprises president, sat through numerous tense meetings with operators. Finally, says Granath: "We had to say, if you decide to compete with us, we'll see you across the table, and we intend to whip your ass." In November, NFL commissioner Pete Rozelle finally called Grimes and told him the networks had balked at his price tag. To maintain TV revenues near 1986 levels ($490 million), the league had decided to create a 13-game Sunday night package for cable.

Over the next five months, Grimes, HBO's Seth Abraham and the cable group made separate pilgrimages to NFL headquarters. From the beginning, the league preferred sports-savvy ESPN. The consortium hadn't produced anything, and as Rozelle kept saying, "We don't want this to look like a high-school game." HBO, on the other hand, could present ad-free games that, in the words of the NFL's broadcast committee chairman Art Modell, "would embarrass the commercial networks."

Ultimately, though, money made the difference. To the end, Rozelle was calling the MSOs, encouraging them to raise their bid. When the consortium held firm at $141 million and HBO came in low, Rozelle made up his mind, accepting ESPN's three-year $153 million bid. On March 14, he called Grimes from the NFL winter meetings and said "Hello, partner." Grimes was halfway home.

He had managed to outbid his own customers. Now he had to

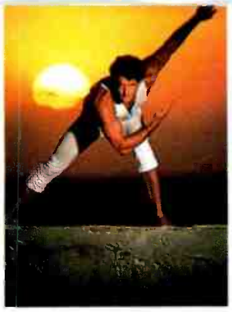
WHO'S GOT THE BALL?

ABC, CBS and NBC still control the biggest events, but cable now has a piece of national TV rights for most major sports.

Sport	Network	Last Season of Contract
NFL Football		
Super Bowl	ABC/CBS/NBC	1989
Playoffs	CBS/NBC	1989
Regular season	ABC/CBS/NBC/ESPN	1989
Major League Baseball	ABC/NBC	1989
NBA Basketball		
Playoffs	CBS	1989-90
Regular season	CBS/TBS	1989-90
College Basketball		
Final Four	CBS	1989-90
NCAA Playoffs	CBS/ESPN	1989-90
Regular season	ABC/CBS/NBC/ESPN/USA	(multiple packages)
College Football		
Rose Bowl	NBC	1990
Orange Bowl	NBC	N/A
Cotton Bowl	CBS	1990
Sugar Bowl	ABC	1991
College Football Assoc.	CBS/ESPN	1990
National Hockey League	SportsChannel America	1990-91
Golf		
Masters	CBS/USA	1988
U.S. Open	ABC/ESPN[1]	1989
Tennis		
Wimbledon	NBC/HBO	1989
U.S. Open	CBS/USA	1990
Kentucky Derby	ABC	1991
Indianapolis 500	ABC	1992
1988 Summer Olympics	NBC	
1992 Winter Olympics	CBS	
1992 Summer Olympics	Pending	

[1] Option to renew for 2 years.

Twice-a-day *Bodies in Motion* gives ESPN daytime appeal.



stick them with the bill. Within days, he announced his plan: ESPN would ask cable operators to underwrite the entire rights fee. It was already charging its new and renewed affiliates 27 cents per subscriber per month. Now ESPN would impose a surcharge—adding 9.25 cents to that rate if every cable system signed up or as much as 14 cents if response was weak.

For the first time, ESPN had gained the upper hand over its affiliates. "We will black out any operator that doesn't subscribe," Grimes announced, "and provide that system with the oldest boxing or Ping-Pong we can find." In May, TCI became the first domino to fall. By the time bargaining ended in June, almost every ESPN affiliate in the country anted up. Even so, ESPN was taking a risk. Would red-eyed sports fans sit for more pro ball on Sunday nights, after the networks had given them games for six hours? HBO's Seth Abraham, who had preferred Thursday nights, called Sunday night football "the Visine Bowl."

The answer, of course, was yes. Prior to its NFL games, ESPN had never exceeded an 8 rating, usually languishing in the 1s and 2s. But regular-season NFL games averaged a 10.6 on ESPN, with one Bears-Vikings game tallying 14.4—the highest in basic-cable history. Ad rates soared, too, for both ESPN and its affiliates, who kept 40 percent of the commercial time. ESPN charged up to $50,000 per spot, tripling its old record of $14,000 for prime time college football.

And there were other benefits: An ESPN-commissioned study by Denver consultants Browne, Bortz & Coddington found that 1987's NFL telecasts on ESPN were the primary factor in luring 800,000 new subscribers to cable, bringing net revenues of some $79 million in '88. NFL-related local ad sales earned operators an additional 96 cents per sub, the study said.

How Grimes has worked this landmark turnaround is a study in good management. One of his tactics is to surround himself with smart, ambitious young people and then boost their self-confidence, by soliciting ideas and embracing the good ones. Once he builds self-confidence, he encourages them by delegating to them major responsibilities. The atmosphere in Bristol is male and informal: Grimes in conference, munching away on popcorn, or lunching in his office with employees who have birthdays that month, answering their questions candidly in his raspy voice and listening to what they say. "He walks into a meeting of 40 new employees and he impresses on them the need for ideas," says John A. Walsh, ESPN managing editor. "He says, 'Press up on us, give us the ideas. If you think the idea is worth it, make sure you tell your manager over and over, because we're pressing down on the manager for ideas.' "

When Cap Cities' Tom Murphy and Dan Burke first visited ESPN on July 1, 1986, after buying ABC, Grimes planned a day-long presentation to explain what the network was about. He introduced executive v.p. Werner, his number two man, and let Werner have the spotlight for the rest of the day. Not only that: During lunch, Grimes told Murphy, "This guy Werner is fabulous. If you ever need an executive in the company, I'd love to see you take him. He's so good that unless I leave and he gets my job, he'll be hired outside." Sure enough, at a company meeting last January, Murphy asked Grimes if he could afford to lose Werner, and Werner was soon named executive vice president of the ABC Television Network Group. Losing key executives to upper management is old hat to Grimes by now. "At CBS, he was raided all the time," says former CBS colleague Bill Lilly, now a consultant. "He could start his own billion-dollar conglomerate with all the people he's managed over the last ten years." Says Grimes with typical self-effacement: "There's an enlightened self-interest there. I have three job candidates coming in tomorrow. I'll be able to look each of them in the eye and say, 'This is the environment you're walking into.' I think it's a selling point for people to come to work here."

There is plenty of work to be done. For one thing, ESPN must come up with an encore to its NFL coup. There are two major contracts on the horizon: the Summer Olympics and Major League Baseball. ESPN covets both.

This fall, negotiations will begin for the 1992 Summer Games and Richard Pound, chairman of the television committee of the International Olympic Committee, says, "I start from the philosophy that everyone should be able to see most events without having cable or pay per view." But to recoup some costs, the winning network will probably spin off a package of daytime and late-night events to cable, where there is no shortage of interest: TNT, USA, HBO and Tempo will be at the table along with ESPN.

Yet the Olympics would barely dent ESPN's voracious sports appetite. "As terrific as they are," says Grimes, "they come and go in two weeks and we have a 52-week network to run." Baseball is Grimes' "number one objective," and it's clear why. From September through April, ESPN fields a solid prime time lineup of football, basketball and hockey. During spring and summer—baseball season—ESPN's ratings drop off more sharply than a Mike Scott forkball. ESPN still spends every summer in the bush leagues.

Of the major sports, baseball has had the least success controlling its TV rights. Under the current six-year, $1.3 billion contract, which runs through 1989, NBC and ABC split a package of games. But the glut of games—every team makes its own deal with local stations and cable services, often involving 100 games or more—undercuts the national package. And "local" games are beamed by superstations like WGN and WWOR to millions of homes around the country (although this may end if reimposed syndicated-exclusivity rules put an end to superstations).

With so much TV baseball, ABC has struck out financially; it doesn't even carry all the games it paid for. And so ESPN sees an opening when talks on a new pact begin at year end, although team owners could throw a curve ball:

ESPN Looks Overseas

● In his relentless search for new revenue sources, Bill Grimes has found some exotic ones: Saudi Arabia, Finland, New Zealand, Colombia and Brazil. The sale of foreign rights to 45 countries contributes less than 5 percent of ESPN's revenues, but it's growing fast and it could lead to Grimes' real goal: foreign sports channels controlled by ESPN. In England and Japan, ESPN is already part-owner of companies that Grimes hopes will blossom into full-time sports networks.

Grimes is especially optimistic about the sports-mad Japanese. "I think the Japanese will become much greater consumers of sports than the Americans," he says. "They love to compete, they love to keep score and they love to win."

Tennis, golf and boxing already have international followings; Grimes thinks foreigners may soon warm up to American pastimes such as baseball and football. If McDonald's and Madonna have captivated the world, can Arena Football be far behind? *N.G.*

RAPPORT. *In a cable transaction, everyone talks about the bottom line. We at Daniels would like to talk about what's above that line. We believe that trust is essential. Knowing that your best interests are being looked after by those you have retained to assist you in your negotiations. Unparalleled experience and market knowledge. Professionalism and integrity.*

All are of the utmost importance. At Daniels, we pioneered the cable brokerage business and have maintained a tradition of leadership for the last 30 years. Put our knowledge, comprehensive service and professionalism to work for you. Daniels has the experience of the past, the vision of the future.

2930 E. Third Avenue, Denver, Colorado 80206, (303) 321-7550
Daniels & Associates is a member of the National Association of Securities Dealers, Inc. and all its professional personnel are licensed with the NASD.

1988
DANIELS
30th
ANNIVERSARY

Auto racing fills 320 hours a year, second only to basketball.

They're considering launching their own all-baseball cable network in 1990.

Because of the competition for big-time sports, playing the rights game is expensive. ESPN spent $125 million on rights alone in 1987, and that number can only go north. For one thing, the profits from major sports tend to be self-liquidating—a network may make big money once, but at renewal time the price skyrockets. SportsChannel recently outbid ESPN for three years of NHL games, spending some $50 million, which was more than twice what ESPN paid in 1984. Grimes was disappointed, but points out: "We're always vulnerable when someone overpays, and we'll do it too, sometimes. We've got a bigger base than anybody—of subscribers, of ad revenue and subscriber revenue—and we can, when we want something badly, step up to the plate and make a very competitive bid."

Meanwhile, Grimes looks elsewhere for long-term profits. He is developing international markets and producing videocassettes. He wants to upgrade *Sports Center*, ESPN's flagship news show. But Grimes' saving strategy is an old one—the Schlock Sports and Pseudo Sports that helped make ESPN famous. NFL games may be prime beef, but ESPN serves plenty of soyburgers—wrestling and rodeo, surfing and sailboarding. The drag racers of the world must *buy* time on ESPN, however, and produce the shows themselves. That means three revenue streams for the network, not two, and this one is pure gravy.

"We have no bargaining power," says Brian Tracy of the National Hot Rod Association. "None. It's just business, but I get frustrated when they don't return my calls." Tracy, though, is a realist—drag racing needs the exposure. So he recently signed a new $400,000, three-year contract. ESPN retains spots in every show.

Of the Schlock Sports now on ESPN, Grimes harbors highest hopes for Arena Football, the eight-man, single-platoon game designed to sustain football junkies through summer. Jim Foster, the league's zealous founder, began kicking around the idea in 1981, when he was the NFL's promotion director. NBC once offered to air one game, but nobody would bid for a season—not even ESPN, then committed to the United States Football League. In September 1986, when the USFL folded, Foster called Grimes again—and by spring ESPN was presenting the sport's premiere season. This year, ESPN signed a five-year contract for Arena games, paying no rights fee and splitting production costs as well as ad revenues with the league. If Arena Football catches on—returns have been so-so—ESPN has another profit center.

For ESPN, Schlock Sports pay another important dividend: they inspire viewer loyalty. "If only one-tenth of 1 percent of cable subscribers love Ping-Pong," says Grimes, and ESPN is the only network showing it, "that creates a bond between the subscriber and ESPN, and a business bond between us and the cable operator."

That bond is ESPN's lifeline: It earns almost half its money from subscriber fees, a departure from ESPN's early days, when it paid 10 cents a subscriber per month just for carriage. But in 1982, with ESPN near bankruptcy, Grimes made a life-or-death decision to reverse that equation. Operators were apoplectic. "I'll never give you guys a nickel," said Jim Cownie of Heritage Cable as he threw Grimes out of his office. But he soon relented, and the nickels have been pouring in ever since. ESPN now gets about 37 cents per sub, and rates will go up again if it lands another major event.

Grimes calls dealing with affiliates "the most sensitive" part of his job, and he spends about a quarter of his time consulting with them. Still, the MSOs are troubled, especially since ESPN is one of the few major cable services not owned, at least in part, by companies with major MSO interests. Said one prominent executive recently: "Cable operators live in fear of ESPN. Live in fear."

But if Grimes is not a member of cable's inner circle, he doesn't seem to notice or care. "We've delivered 4,000 hours of original programming a year, brought in the NFL and gotten more publicity for cable than any other network. I think we've paid our dues." In fact, he's not so sure he's not a member: "I don't feel like an outsider," he says, then adds, "I don't feel like an insider. . . . I was asked to be one of the people who roasted John Malone in Washington, and Amos Hostetter asked me to chair the Walter Kaitz Foundation dinner. Some of them are bothered by the fact that they don't own ESPN. It's not the case, so instead of lamenting it, let's do things that are in both our best interests."

Pleasing cable operators, however, may come more naturally for the new sports/business network that grows out of NBC's rapprochement with TCI. Not only does TCI make money on the deal, it gets a challenger for ESPN. "You could look at it that way," says Grimes, "but at the moment it's only a potential competitor. I don't worry about potential competitors when I have so many real ones."

But for now, Bill Grimes is enjoying the view from the top. "Having experienced the really hard times at ESPN," he says, "when we were first ignored and then ridiculed, it gives me a lot of satisfaction to know that we're doing well."

"Bill has a vision of where he wants to take ESPN," says Seth Abraham. "Some years he goes faster and some years slower, but he's always heading in the direction he wants." Now Grimes' dream is coming true—ESPN has become a major player in TV sports, and a hugely profitable company. Turner and Tempo are talking tough, but they still must show they have the money and smarts to compete with ESPN. When the red ink starts flowing, they may decide that no one gets rich by betting against Bill Grimes. ●

Noel Gunther is a Washington free-lance writer.

What Makes William Run?

Until he was promoted to executive vice president of the ABC Television Network Group, ESPN executive v.p. Roger Werner was Bill Grimes' right-hand man. The pair traveled the boardrooms and barrooms of the world together in search of new subscribers. Here, in his own words, Werner enumerates the qualities that have made ESPN president Grimes a standout among broadcast executives:

● Vision: "Bill's vision for ESPN was to program 24 hours of Division 3 basketball year-round. A bold vision to be sure. Admittedly, I took the liberty of modifying it somewhat."

● Energy Level: "Bill never failed to find a second wind when it came down to resolving a difficult issue like: Do we go home or go to Nell's?" (Nell's is a downtown New York night spot.)

● Delegation: "At the first sign of trouble with advertisers, affiliates, producers or parent companies, Bill had an uncanny ability to delegate total responsibility to me."

● Salesmanship: "Being as good a salesman as Bill is meant that he was also rather easily sold. Bill's motto: 'I'm from Missouri. Here! Take my checkbook!' "

● Goal Attainment: "Bill and I made a pact in 1983 that we would both get rich by making ESPN a success. I'm now working 14-hour days for a network that loses money, but as Bill always reminds me, 'Our goal is in sight.' "

● Humility: "In spite of these qualities, Bill is still the world's greatest boss. If you don't believe me, just read any of his last 37 interviews."

17.1 RATING

The highest ever for an advertiser supported movie... DEATHWISH III in February!

195 STATIONS

The largest advertiser supported movie network!

96% COVERAGE

The widest distribution nationwide!

When it comes to advertiser supported movies, the numbers speak for themselves!

Now offering the 1988/89 TV NET season. For station clearance, contact your Viacom representative.
For advertiser sales, call TeleTrib at (212) 750-9190.

TV NET

Source: Nielsen (Gross Average Audience)

A co-venture of Tribune Entertainment and Viacom Enterprises.

FIRST IN A SERIES

HOW WELL DOES TV SELL?

Very well. That used to be all advertisers needed to know. Now they're looking to justify the cost with hard sales *numbers. Our first in a series on the nation's most influential medium.*

by Steve Behrens

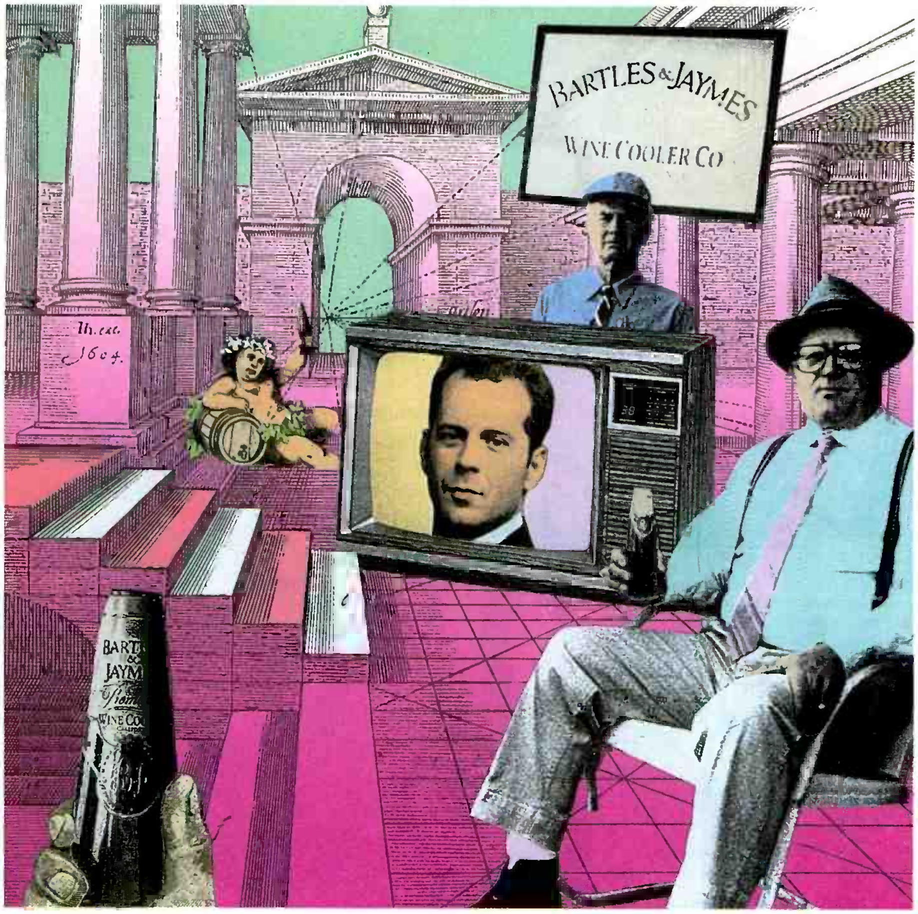
For people who have things to sell, TV is like a giant servant out of a magnificent dream. It flashes into 98 percent of American homes and connects with young adults an average of four hours daily, about a quarter of their waking hours. No doubt remains that television can move products—*whoosh*—"right off the shelves!" That's what marketers freely testify. Yet TV's selling power is being questioned repeatedly and marketers are demanding quantitative evidence to justify the $27.3 billion they're investing this year in broadcast and cable TV advertising. Would *less* TV advertising work just as well? Would coupons bring in the customers faster and cheaper? Exactly how well does TV sell?

To answer questions like these, advertisers are turning to new research technology that, as it shakes out in coming years, may make the ruckus over people meters seem like a chamomile-tea party. Few marketers can point to stone-cold, unambiguous proof of TV's selling power, but, especially where they've introduced new products on the tube, they have some impressive stories to tell. About wine coolers, for instance.

TV was one of the vital ingredients in the wine-cooler recipe, right up there with a shrewdly conceived brand image, fizz, corn syrup and a surplus of California grapes. E. & J. Gallo Winery had access to the grapes and borrowed the idea from a regional brand called California Cooler. Gallo launched an extra-heavyweight national TV schedule in August 1985, introducing the fictitious yokel bottlers Frank Bartles and Ed Jaymes and their Bartles & Jaymes Premium Wine Cooler.

Except for minor spending (for Ed's brief fling at skywriting, in part) the budget went almost entirely into network TV, says Jeanette Gatto, v.p. and associate media director at Hal Riney & Partners, which was then Gallo's agency. "There's no other way to get rapid awareness than through television," says Gatto. "The winery has built its business on television."

Gallo bought armfuls of commercials a week, each spot typically reaching 17 or 18 percent of viewers in the target 18-34 age group. At first each commercial in the series would accumulate up to 250 gross rating points in a period of a week or more, but the GRPs settled down to an average of 125 per period, says Gatto. Still, the agency aimed to hit 80 percent of target consumers five or six times a month. "Our feeling here," she says, "is



Television was one of the vital ingredients in the wine-cooler recipe, right up there with fizz and California grapes.

that too much is never enough."

It was Riney's Frank-and-Ed image that made the brand, of course. The naive old coots seduced viewers while other cooler makers, with young-funlover spots that looked just like beer or soda ads, went nowhere. Some people liked the irony of the campaign and others just plain liked Frank and Ed—either way, they stored away a favorable blip somewhere in their brains. Frank and Ed were halfway home.

"You see these funny old hick men and you have a nice feeling about the cooler," says Carol Bridgwater, a psychologist at Ogilvy & Mather's San Francisco think tank, the Ogilvy Center for Research and Development. TV plants the memory but good: Frank's voice, the chummy old faces, the favorable emotions, the trade name spoken repeatedly and hanging on the front porch. No need for a purchase decision yet. Cut to the beverage aisle of the supermarket: "You see this brand that has somehow gotten into your memory," says Bridgwater. "You might pick it up and like it, and then the attitude change occurs."

By October '85, the Bartles & Jaymes ads had captured the invaluable "top-of-mind awareness"—they had become the wine ads that consumers most often thought of first, Selection Research reported. "Johnny Carson was making jokes about Frank and Ed," Gatto recalls. "They were the answer to a question on *Jeopardy!*" In '86 the brand took first place in cooler sales, passing California Cooler.

Gallo's fearsome distribution network played no small part in that success, but, as in so many consumer markets today, the winery had little or no product advantage: Many competitors could spike some soda and pour it into a Michelob-style bottle. Other products might be uniquely useful and have no need for great advertising, says Gary Stibel of the New England Consulting Group in Westport, Connecticut. But among coolers there's little to differentiate one swig from another. "In a world where products are similar," he says, "image is critical."

The House of Seagram knew that as well as anyone, and in the spring of '86 hired itself a new TV image that sold coolers as well as Frank and Ed, perhaps better—partly by appealing more directly to young singles, women in particular. "Bruce Willis was the breakthrough," says Stibel. "Seagram smartly created an image that was much more attractive to the young woman. And guess what? She decided to *be with* that character." As psychologist Carol Moog puts it, Bruce Willis virtually became a "product benefit" of Seagram's coolers. "People are drawn to figure out who they *are* by lots of things in the culture," says Moog, president of the consulting firm Creative Focus. "Advertising provides imagery they use as a mirror."

Both the Seagram and Bartles & Jaymes ads use one of TV's most powerful capabilities: to fully exploit the appeal of a living human face. Leo Bogart, a noted ad researcher who works at the Newspaper Advertising Bureau, has found that human beings appear in 90 percent of TV ads but much less often in print—in just 44 percent of magazine ads and 23 percent of newspaper ads.

Whatever the appeal of smiling faces, Bruce Willis' smirk helped Seagram double its cooler sales to 18.5 million cases last year, passing the slower-growing Bartles & Jaymes. Impact Databank reported that cooler bottlers altogether sold some 73 million cases—26 times as many as in 1983, before TV's big push.

But television's most engaging images couldn't guarantee an endless summer for coolers. Sales grew only 6 percent in '87, consolidating around the top two brands, and the future looked cloudy. Riney dropped the troublesome Gallo account and Seagram fired Willis, who had made headlines for his drinking. Moreover, cooler sales will start dropping in the next five years, according to a study by Beverage Marketing Corp. Stibel believes the decline has already begun. "Clearly it's because of the product," he says. Perry Luntz of *Beverage Alcohol Market Report* puts it gently: "The coolers do have a tendency to get boring."

The product itself can make or break its future. So can the image and campaign dreamed up by its agency, the choice of media, the target demographics, the price, the timing, the economy or the competition. For every advertiser with a smash success on TV, there are others that see little or no effect on sales and still others whose economics dictate print or radio or other ways of marketing. Inevitably, even big TV advertisers like Seagram or Gallo wonder whether they have to spend more than $20 million a year on

ILLUSTRATIONS BY MARC YANKUS

Ratings, reach, frequency—they're all faint measurements compared with the sound of a cash register in action.

TV to move their coolers. At that cost—when an average prime time network spot goes for more than $120,000—the question is hardly academic: How well does TV sell?

That's the question today. It sails right around the storm over zapping, zipping, flipping and grazing; it bypasses the choppy waters of people meters. Ratings, reach, frequency, awareness, attitudes and recall—they're all faint measurements compared with the resonant sound of a cash register in action. "Everything has been measured in cost per thousand," says former adman Ronald Kaatz, an associate professor of advertising at Northwestern University, "but you can't put cost per thousand in the bank." Why should the advertising world measure effectiveness in GRPs when the sales promotion contingent is talking about direct and immediate effects on *sales*?

Sales promotion, or "dealing," as marketers call it, refers to the seven billion coupons redeemed by shoppers last year, for example, or the 48 million sweepstakes inserts that Borden is putting in newspapers this summer, the periodic rebates that auto companies offer, the wholesaler and retailer incentives such as the prizes to be awarded by Heinz for the best store display of its condiments. Twelve years ago, marketers were putting 42 percent of their marketing budgets into advertising and the rest into dealing. This year they're expecting to spend just 35 percent on ads. To television and the rest of the ad world, dealing has become a heavy, oppressive lid on growth.

TV's partisans have always had to make a case for the medium, but it was once nearly adequate to point out the testimonial implicit in the large amounts spent on broadcast and cable TV—now a relatively steady 22 percent of all advertising, and a sum just short of newspapers' revenues and four times that of magazines.

For another thing, advertising professionals have always been quite willing to swear by a big-league medium that's simple to buy as well as effective. When CBS surveyed advertiser and agency media execs last spring, 93 percent of those with opinions said TV was the most effective medium for delivering an ad message and extending it to large numbers of consumers (building reach); some 80 percent said it was most effective in making ads memorable (building recall) and in boosting sales.

Nearly every creature of Madison Avenue can come up with a story about TV's sales effect: Paul Gerhold, a longtime figure in advertising research and now a consultant, remembers that Revlon used to sponsor a quiz show on Tuesday nights in the '50s. The next day virtually would be Revlon Day in the stores, he says: They'd sell a lot of lipstick. But like other such stories, this evidence is anecdotal.

In search of guidance, the numbers jockeys have discovered from experience another rule of thumb called "share of voice." If a brand wants to amass a 10 percent market share, explains Tony Adams, director of marketing services at Campbell Soup Co., the advertiser should make sure it's doing 18 percent of the advertising in the product category.

Detroit should be alarmed, therefore, that the foreign auto companies altogether have a 55 percent share of voice on TV, as was recently announced by the TV industry's sales promotion agency, the Television Bureau of Advertising (TvB). But John Vanderzee, the Ford Division's ad manager, dismisses the grave implication; he says that there are too many exceptions to the share-of-voice rule and, besides, the Japanese overspend.

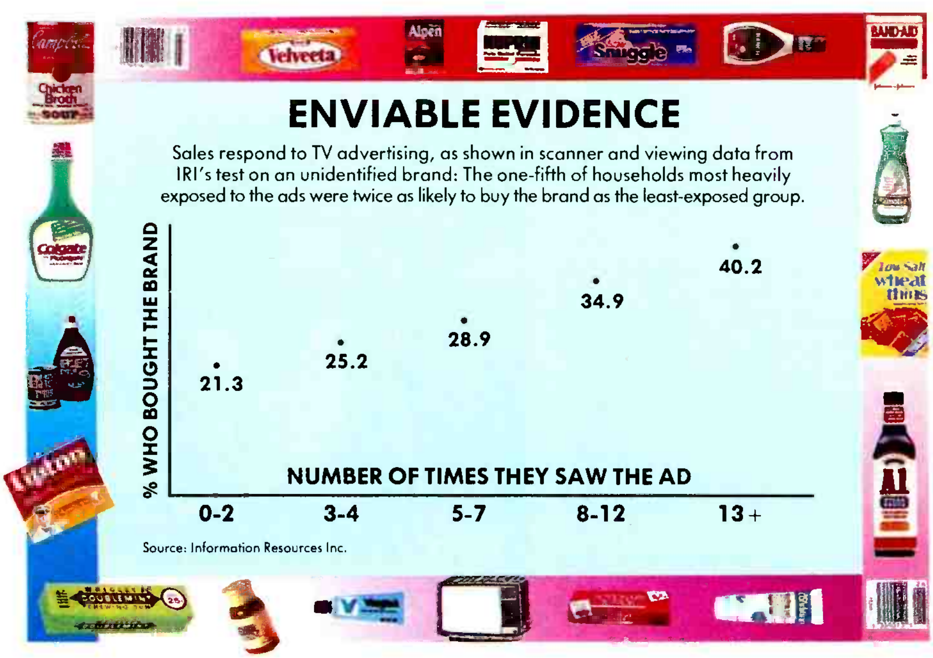
Though these success stories and rules of thumb are based on long experience, it would be difficult to plug them into a spreadsheet, while the immediate sales gains from "dealing" practically jump onto the computer screen. Those gains, however, may be illusory. "The automobile companies give these rebates and zero-interest financing, and their sales go up," says David Poltrack, v.p. of marketing for the CBS network. "But as soon as they cut it out, their sales go down. What they are doing is advancing forward the decision to buy a car. They're stealing from the future."

In dealing, Poltrack says, many of the discounts go to customers who'd buy the brand anyway, and they become accustomed to the discounts. The perceived value of the product declines, along with brand loyalty, the treasured result of all that TV advertising.

"It may ruin a brand franchise, long-term," says Northwestern's Kaatz. "It becomes like a heroin fix; once you start offering people deals, it's hard to wean them." Yet the marketing executive continues dealing because his competitors do, and because short-term results are good for his career. "He's not worried about what the brand does in three years," says Kaatz. "He's not going to be there in three years."

Technology abets the tendency: Marketers can now look for the results of promotions on daily printouts of sales, as registered by price-code scanners at cash registers nationwide. "People are seeing these blips in sales like they've never shown up before," says Poltrack, "and that is creating a growing dependency on promotion."

Now this same scanner technology is being used to isolate advertising's sales



ENVIABLE EVIDENCE

Sales respond to TV advertising, as shown in scanner and viewing data from IRI's test on an unidentified brand: The one-fifth of households most heavily exposed to the ads were twice as likely to buy the brand as the least-exposed group.

Source: Information Resources Inc.

effects in high-tech "single-source" research systems (in which TV ratings and other media exposure data, as well as purchasing data, come from a single sample of households). Information Resources Inc. measures the viewing and purchasing of up to 3,500 homes in each of nine BehaviorScan test markets. Nielsen Marketing Research, likewise, is gearing up large local and national samples for test-marketing and monitoring. And Arbitron is moving ahead with a national ScanAmerica service scheduled to go online in the fall next year.

At first glance, results from IRI and other electronic test markets are already showing that advertising often doesn't work. More than half of tests indicate that the most common ad plan tested—simply laying on more advertising, or "heavying-up"—may not boost sales proportionately, if at all. But there are many reasons for feeble sales impact. In some cases, an ad wore out after viewers saw it 15 or 20 times, says IRI executive v.p. George Garrick. (That ad should be replaced.) In other cases, heavy dealing hides any effect of extra ads. For new products, however, Garrick contends that heavying-up increases sales faster in three quarters of campaigns tested. "What has become painfully apparent to those who maybe didn't know better,"

True Stories

Not every product works. Not every advertising image, not every price, nor every spokesperson. And TV isn't right for every advertiser. But, sometimes things come together . . .

OUT OF NOWHERE—HYUNDAI Back in '85, there were no such things as Korean cars in the United States, much less a brand image or dealer network. "We needed to launch quickly," recalls Joe Corey, national ad manager for Hyundai Motor America. "Television was our only choice." For '86, the firm put 85 percent of its $25 million media budget into TV.

The first ads didn't even show the car; they glanced around Hyundai's shipyards and factories, establishing it as a huge, competent conglomerate. Then ads began revealing the slick little "Cars That Make Sense" whose great selling point was a base price of $4,995. Spot TV was the medium of choice because the car was rolling out initially in just 30 markets, but after entering the 75th market this year, it became cheaper, in cost per rating point, to buy network time.

Eventually Hyundai had reached 62 percent of its target group—ages 18-49, college graduates, with at least $25,000 household income—an average of six or seven times within three months.

Hyundai sold its first car here in February '86, 10,000 in March, 12,000 in April, 20,000 in July. "We thought we would beat 100,000 the first year," says Corey. "Obviously, we were very pleased with 186,882." Hyundai's Excel started 1987 as the number-four import and ended the year as number one. This year, after only two years in the country, it passed the 500,000 total sales mark.

VISA'S IMAGE LIFT The consumer surveys were alarming to Visa USA, the credit-card firm, and its agency, BBDO. Consumers in 1985 thought Visa cards were suitable for buying tires, for instance, but American Express was for dining out. Worse yet, says Gary de Paolo, executive v.p. of BBDO, MasterCard's image was moving up quickly on Visa. "American Express had the imagery that both Visa and MasterCard aspired to," says de Paolo. Consumers used Amex cards in fear their Visa cards would not be accepted, even though Visa is accepted by more businesses than Amex.

Visa put 87 percent of its $21.8 million campaign into TV, picturing classy restaurants and stores where Visa cards were accepted and Amex rejected. The tagline: "Visa—Everywhere you want to be."

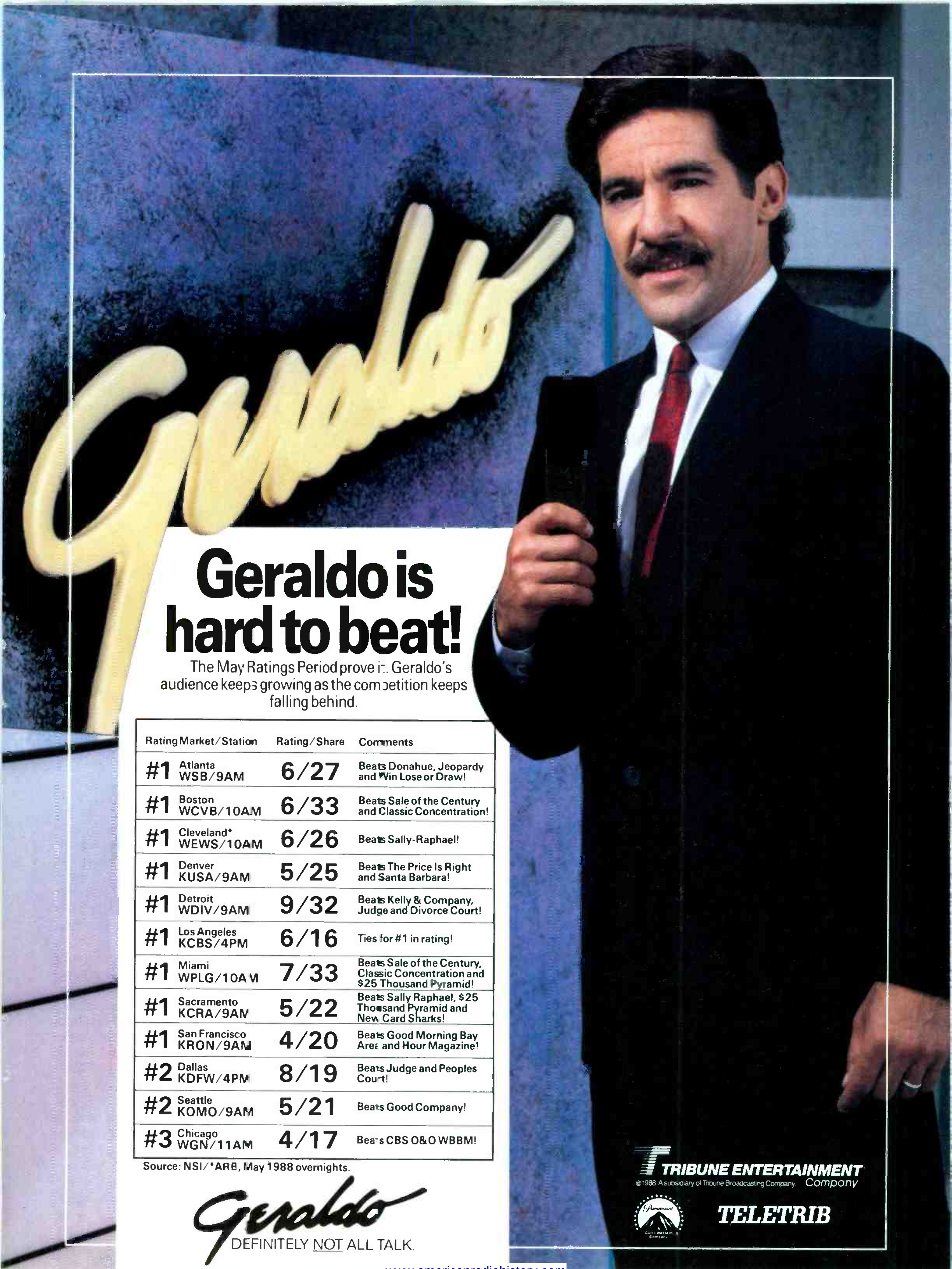
Before the campaign, in mid-1985, consumers had rated Visa's image roughly equal to MasterCard's, says de Paolo. Two years later, 60 percent said Visa was more suitable for travel and entertainment than MasterCard. Amex was still ahead in image, he adds, but Visa was gaining.

AUSSIES ON THE LIST Traditionally, TV was the "massest of the mass media," not suitable for selling expensive summer vacations. But the Australian Tourist Commission puts 65 percent of its U.S. ad budget into spot and cable TV ads, even though its target group—ages 35-64 with household incomes over $60,000—is just 16 percent of TV households, says Joy Fauvre, account exec with the commission's agency, Mojo. "Not everybody reads travel magazines," she says, "but everybody watches television."

For more than four years, Paul ("G'Day!") Hogan has been inviting viewers to come on down—and has prompted 1.5 million of them to call an 800 number for a free Aussie Holiday Book. "The idea was to get Australia on the decision list . . . to pluck at the heartstrings, to get Australia top-of-mind," says former commission official Alan Drew. The commission has put most of its budget into demo-targeted spot TV in a dozen key markets, but increasingly invests in upscale cable TV.

During the campaign, Hogan has become a star (*Crocodile Dundee*) and American tourism to Australia has more than doubled, to 385,000 visitors a year. Increasing the tourism growth rate from 10 percent a year to 25 percent a year has probably generated $145 million in additional in-country tourist spending this year. The entire ad campaign has cost the Aussies $2 million to $5 million a year. *S.B.*


Paul ("G'Day!") Hogan invites America to an Aussie holiday.



Geraldo is hard to beat!

The May Ratings Period prove it. Geraldo's audience keeps growing as the competition keeps falling behind.

Rating	Market/Station	Rating/Share	Comments
#1	Atlanta WSB/9AM	6/27	Beats Donahue, Jeopardy and Win Lose or Draw!
#1	Boston WCVB/10AM	6/33	Beats Sale of the Century and Classic Concentration!
#1	Cleveland* WEWS/10AM	6/26	Beats Sally-Raphael!
#1	Denver KUSA/9AM	5/25	Beats The Price Is Right and Santa Barbara!
#1	Detroit WDIV/9AM	9/32	Beats Kelly & Company, Judge and Divorce Court!
#1	Los Angeles KCBS/4PM	6/16	Ties for #1 in rating!
#1	Miami WPLG/10AM	7/33	Beats Sale of the Century, Classic Concentration and $25 Thousand Pyramid!
#1	Sacramento KCRA/9AM	5/22	Beats Sally Raphael, $25 Thousand Pyramid and New Card Sharks!
#1	San Francisco KRON/9AM	4/20	Beats Good Morning Bay Area and Hour Magazine!
#2	Dallas KDFW/4PM	8/19	Beats Judge and Peoples Court!
#2	Seattle KOMO/9AM	5/21	Beats Good Company!
#3	Chicago WGN/11AM	4/17	Beats CBS O&O WBBM!

Source: NSI/*ARB, May 1988 overnights.

Geraldo
DEFINITELY NOT ALL TALK.

TRIBUNE ENTERTAINMENT Company

TELETRIB

says a former General Foods researcher, "is that the relationship between advertising and sales is by no means direct."

It may also be nearly impossible to measure accurately, according to skeptics. "The whole marketing proposition is so complex that you can't isolate the effects of television advertising from the trade promotion that dropped the price of a product by 30 cents," says Alice Sylvester, associate media research director of J. Walter Thompson USA. She and other agency people contend that brand "awareness" and other factors are equally valid or better measures of ad campaigns.

That view sets up a potential clash between agency and client. "Some people make the case that the function of broadcast advertising is not to sell but to bring people up to an awareness level to make a decision," says Nielsen Marketing Research vice president Laurence Gold. "That's basically the position of the broadcasters and the agencies. Quite frankly, the advertisers won't stand for that. They are going to demand a demonstration of impact on sales."

"Advertising will be bought in the future on the basis of proven effectiveness," says Tony Adams of Campbell Soup. "It's a whole new notion—we call it campaign accountability. We will systematically look at what a campaign does for incremental volume, market share and return on marketing investment."

"There will be a reordering of relative costs based on the effectiveness of different dayparts," says George Mahrlig, Adams' colleague and director of media services at Campbell Soup. "There may be some surprises." Instead of tests on heavying-up their campaigns, for example, marketers have begun testing *lighter* advertising in the last two years, according to IRI's Garrick.

Sellers of TV time may not enjoy having it evaluated by questionable new measures of sales effectiveness, but they seem to have little choice. Professor Kaatz, who does some ad consulting on the side, says a client recently bought time on a cable network. "We said to them that our decision to continue is going to be based on the response we get," Kaatz says. "They looked at us in semi-disbelief. They said, 'How can *we* measure that? How will we know if it's fair?' "

The cable network people *won't* know, of course, unless they get some numbers of their own. Manufacturers are already facing retailers who are armed with sales data and profit/loss statements on every product that crosses the check-out scanner. "When the salesman for Lipton goes in to see the buyer for Grand Union, he finds that the buyer knows more about the movement of Lipton products than *he* does," says Jim Joyella, senior v.p. of TvB. "The buyer is in control of the negotiation and he's going to say, 'Show me how you're going to support this brand.' " Before long, the tea salesman will be toting his own sheaves of scanner data.

To television and the rest of the ad world, coupon 'dealing' has become an oppressive lid on growth.

The same thing seems likely to happen between the sellers and buyers of TV ad time. "It's going to be a war of negotiation," predicts Gold, whose employer, Nielsen, hopes to sell costly stacks of numbers to both sides. "It will happen," says Joyella. "*When* is the question. If I were sitting on the advertisers' side of the desk, I would be in a real hurry to get more of that information."

CBS is already moving to put that kind of data in the hands of salespeople by getting advertisers to cooperate in a long-term study to track and measure advertising's effects. The network also plans a mechanism that will gauge consumer response by counting calls to toll-free 900 numbers publicized in broadcast ads. This spring the network put Poltrack in charge of a new sales development office and has begun to talk in terms of "return on investment"—hence the big letters "ROI" in recent CBS ads. "What we would hope to demonstrate," says Poltrack, "is that the brand supported by network advertising gradually builds immunity to impact by the competition's sales promotion."

That is exactly the sorcerer's realm in which TV advertising operates—where, every day, elaborate emotional concoctions do their work on consumers, putting blips on supermarket scanner printouts from sea to sea. Using new research technology to connect these causes and effects doesn't alarm the TvB's Joyella. "When these more sophisticated systems come on-line," he says, "it simply means: Know where television is in the marketing mix and sell yourself on that advantage. It's not going to put anybody out of business, but it might change the balance among media. You've gotta be a big boy in long pants and know what your medium can do." ●

Qintex.
The New Name in TV Entertainment.

Hal Roach Studios has merged with Robert Halmi, Inc. to form Qintex Entertainment.

The rapid growth of filmed-entertainment distributor/syndicator Roach, coupled with the prolific, award-winning television film output of Halmi, dovetail to form a financially strong, highly competitive company.

Qintex is active domestically and internationally in all television venues: network, pay and basic cable, home video and first-run syndication.

Qintex has a strong roster of projects—series, movies-of-the-week, miniseries—for airing and in development.

Its fall 1988 TV series include: "T and T," starring Mr. T, now in first-run syndication; "Crossbow—The Adventures of William Tell," now in its third season of production; "Kids, Inc.," airing in its fifth season on the Disney Channel; "Flip," a new children's videomagazine airing on CBS in the fall; and "The Family Show," a family talk show for pay cable premiering later this year.

Eighty-five half-hour episodes of "The New Leave It to Beaver" will air in strip syndication beginning in September. "Lonesome Dove," slated for airing on CBS, is an 8-hour miniseries based on the Pulitzer Prize-winning Larry McMurtry novel. "Kenya," a one-hour pilot for a dramatic series set in Africa, has been delivered to ABC. And Qintex is Colorizing 134 black and white "McHale's Navy" episodes for distribution in the syndication market.

Qintex also enjoys the financial backing of Qintex Limited, the $1.7-billion (assets) Australian media, communications and resorts concern. As Qintex Entertainment's largest shareholder, it has pledged $70 million in additional capital for TV production projects, and will expand its U.S. activity through Qintex.

Qintex Entertainment—now among the TV industry's largest independent producers and distributors.

QINTEX ENTERTAINMENT INC.

345 North Maple Drive   Beverly Hills, California 90210   (213) 281-2600

AN HRI GROUP INC. COMPANY

Hollywood's LABOR PAINS

Lower revenues and rising costs are spawning a tough new attitude to unions by TV networks and producers.

by Alex Ben Block

After 20 years of teaching television and movie production at Ithaca College in upstate New York, Skip Landen has taken a temporary leave to work with a different kind of student. His new pupils, at Valencia Community College in Orlando, Fla., are on average at least a decade older than those he usually sees; all have at least some entertainment-industry experience. And they aren't at Valencia to earn a diploma. They've signed on for two months of intensive training with Landen and other instructors in such skills as lighting, sound, camera operation and set construction in the belief that it will lead to a highly compensated career in a fast-growing industry. "Nobody taking these courses is promised a job," says Landen, "but they all know what is coming and they want to upgrade their skills to be ready."

What's coming are two state-of-the-art video- and film-production facilities (and studio tours), each costing around $400 million. They are being built in central Florida by Disney and by MCA Inc., parent of Universal Studios. The Disney studio opened recently, and the tour (which licenses use of the MGM name) will begin next spring, while MCA, in a joint venture with theater operator Cineplex Odeon (half owned by MCA), opened its studio this July and launches its tour in 1990. Orlando newspapers have reported that executives from Columbia and Paramount Pictures have been visiting as well, to consider building their own new production facilities.

What these Hollywood companies have in mind isn't just new buildings. They are creating, in a legal sense, new corporations unencumbered by the guild or union agreements signed by their parents. They also envision an occasion to exploit new technology and a more enthusiastic labor pool.

"You have an opportunity to correct historical bad practices of the past," says Daniel Slusser, senior vice president of Universal City Studios. "You have an opportunity to reduce labor costs and become more efficient."

The facilities being built in central Florida aren't going to expand TV production, for the most part. Rather, they will replace work on programs ranging from game shows to situation comedies—work that has traditionally been done in Hollywood. They represent one of the more visible aspects of a revolution that is taking place in entertainment-industry labor relations, particularly in television. The networks and major production companies, facing intense cost pressures, have decided that show-business unions, like those in the automobile and steel industries in recent years, are particularly vulnerable to reform just now. This combination of cost pressures and opportunity has created a kind of irresistible momentum all its own. That is why the networks and producers have hung tough against the Writers Guild, one of the side benefits being that production crews, unable to work, would be financially weakened even before their contract expired. Those same workers are now finding the networks and producers taking a particularly rigid stance in negotiations with their union, the International Alliance of Theatrical Stage Employees (IATSE), which represents camera operators, electricians, makeup artists, laborers and other crew members in a TV or movie production (see chart).

NBC started the ball rolling last year when it took a hard line with the National Association of Broadcast Employees and Technicians (NABET), which represents technical employees involved in videotape production at both NBC and ABC. After a long negotiation and a 19-week strike by NABET, NBC refused to budge. The NABET workers eventually returned on network terms. John Agoglia, NBC business affairs executive vice president, and the only network official who would comment, explains that with a declining share of the audience, the networks have no choice but to control costs more effectively. "You're looking at a train coming down the track toward you," says Agoglia. "You have to stand there and find ways to deal with it."

Nobody in management is saying they're out to bust the unions, but the message is clear. If the unions refuse to make concessions, the increasingly bottom-line-oriented network bosses and Hollywood producers are determined to work around them—even if it means moving the majority of production to Florida, North Carolina, Canada and elsewhere. It's such a sensitive subject that many executives and labor leaders refuse to discuss it on the record. But there's no question that it's happening. "The producers feel they need to take a Waterloo stand with labor," says Larry Gerbrandt, programming analyst for Paul Kagan Associates. "They'll hold out to the bitter end. They've got everything to gain and very little to lose by getting tough with the unions."

Demanding more favorable contract terms is only one way the networks and producers are attacking the problem. They are also changing some job categories to shift work to temporary and nonunion employees. Some production accountants, for instance, who used to be full-time employees, were switched to part-time and paid hourly wages. They are looking to technology to replace workers. On news camera crews, for example, the number of sound technicians was cut—in some cases eliminated—and the cameraman expected to handle sound duties. And they are creating nonunion production companies at arm's length that can operate in ways their union contracts wouldn't otherwise allow.

In production accounting, there are two kinds of costs. Those "above the line" are the glamour jobs: producer, director, writer and actor. Those "below the line" are the craftsmen and crew—the people who pull electrical cables, position lights, sweep up, make coffee, drive the vehicles and do everything else the creative types won't. People on both sides of the line are feeling the heat right now on costs, but some are feeling it more than others.

DAVID GORDON

"Unfortunately, it is a lot easier to cut back below-the-line than with stars, directors and writers," says Paul Wagner, business manager of the International Brotherhood of Electrical Workers local in Los Angeles, which represents craft and technical employees at CBS and some local TV stations. "So they're taking the easy way out and coming after us."

Naturally, the studios deny that any one group is being singled out. "Nobody is sitting around saying, 'These unions are an easier target for cost-cutting. Let's hit them,' " says Randy Reiss, president of network television for Walt Disney Studios. "We're just looking for ways to get our cost structure under control. It's Detroit all over again."

Reiss says cost pressures are greater today because of increased competition, lower network license fees (due to decreased audience shares), uncertainty in the syndication market and rising costs for materials and services.

"We now realize there's only so much money available from all forms of television exhibition," says Mel Harris, president of the Paramount Pictures television group. "It doesn't make sense to produce a show for more than it can return from all sources."

Paramount, among others, has turned to a unique innovation to provide one of the new weapons in the war on costs—the TV series pick-up. In Hollywood, "pick up" usually refers to an independently made movie, after production, being "picked up" for distribution by a major studio. In the case of Paramount's *Friday the 13th: The Series*, made for first-run syndication, Paramount farmed out production to an outsider, then picked up TV-distribution rights for enough money to cover all of the producer's costs. Made in Canada without major stars, *Friday* is being produced for under $500,000 an hour—less than half what Paramount usually spends to make a network hour. *Friday* was expected to play late at night, when audiences are smaller, and that limited what Paramount could spend, says Harris.

"If you want, say, Burt Reynolds on your air, then you'll pay more," he says, "just as the Clippers will have to pay extra for Danny Manning. Truck driving, on the other hand, isn't exactly rocket science."

Barry Diller, as chairman and CEO of Fox Inc., has taken a crash course over the last 18 months in the economics of television. "[Hollywood] is becoming noncompetitive in a true sense for the first time in its history," Diller said recently in his private board room at Fox in West Los Angeles.

Diller believes that movies, which can return huge profits, are comparatively immune to cost pressures. "Television, however, is a mature business and profit margins are coming down," he says. "Until about three years ago there was double-digit growth in TV advertising. The growth rate was so great, it almost didn't matter what you did or spent. . . . I remember at Paramount when *Happy Days* came up for renegotiation, we killed ABC [on the license fee]. It went from about $220,000 a half hour to $290,000 and then $340,000. It defied any theory of supply and demand. Then three years ago [advertising] hit a wall. Anybody who thinks advertising is still growing as it did before is a fool.

"The consequence for TV, like any mature business," says Diller, "is that you've got to find new money in the corners. . . . You either cut costs or become irrelevant."

Diller jumps up and goes to a wall chart showing the network schedules. He yanks off a card marked *Family Double Dare*, a new Saturday show on Fox's schedule. "This show replaced one that cost $400,000 for two plays. It costs $70,000 for one play."

Diller says what's begun is a complete rethinking of the cost structure of television. "If people are paid big salaries, it has to be based on economic merit," he says. "This isn't about union-busting. It's happening for only one reason. Management can no longer pass on the costs."

A dozen guilds and unions affect TV production, but two dominate below the line in Hollywood. The largest, with over 25,000 members, is IATSE, or simply The IA. The other key union is the Teamsters, which provides drivers, vehicle mechanics and some laborers for entertainment productions.

Since February 1986, the president of the international IA has been Alfred Di Tolla, a stocky, lifelong unionist who never talks to the press. Surprisingly, Di Tolla is viewed sympathetically by top studio management. "The IA leadership is very enlightened [about the economic situation]," says Universal's Slusser. "However, I have serious doubts as to whether the rank and file have followed the leadership."

Among the reforms Di Tolla has instituted is the opening of the membership, which, although the IA denies it, in practice had long been closed to everyone except the relatives of current members. He has even eliminated most of the seniority lists that kept younger members idle. And he has made some concessions on work rules.

"Unfortunately, those changes came five years too late for a lot of the new talent entering the industry," says a veteran Hollywood-based TV producer. "A lot of these people now say, 'Why do I need the IA at all?' "

'It's not an overstatement to say that what is at stake here is the welfare of the entire industry.'

The first to turn to nonunion crews were producers of low-budget movies in the 1960s and '70s. The trend spread to the tube first with made-for-TV movies, which were in the can before union organizers could get to them. The big-budget theatrical films and most network TV shows are still made using unions, but the trend is against organized labor. This shift accelerated in TV with the rise of cable, independent stations and first-run syndication, where there simply is less money to spend on programming. The producers claim the unions have been slow to understand this new economic reality. "In the press the [IA] union leadership sounds more flexible, but when you go in, as I did, and say, 'This is all the money I have to produce my show and I need you to work with me,' I find it's really just the opposite," says Richard Melcombe, a former Turner Broadcasting executive now producing for television. He recently shot a pilot for an updated *Little Rascals* series in a Los Angeles suburb with a nonunion below-the-line crew. "Once you decide you have to go nonunion, there are some great people out there," adds Melcombe. "Where a few years ago there were only one or two or five people to call for each job, now there are dozens."

Producers such as Melcombe pay nonunion workers about the same hourly rates as union ones (or slightly less). The bigger savings are in eased work rules, fewer irrational restrictions on what jobs each crew member can do and in fringe benefits. Typically, says Melcombe, fringe-benefit payments to the union represent roughly 17 percent of the worker's gross pay—all of which is saved.

For example, on an IA crew one worker sweeps up during production, but as soon as production is concluded, a different worker from another local must be hired to sweep up as the crew tears down sets. On Melcombe's set, the same man who swept up during production swept up after.

There's an unhappy irony here for Hollywood's major studios: In most industries, the volume producer has the lowest costs. Instead, with their union contracts, the biggest players in TV are also saddled with the highest costs. About five years ago, they found a partial answer. Companies such as MCA and Lorimar-Telepictures formed joint ventures that are new legal entities without union links. Unlike Paramount's farming out of *Friday* to a producer under completely separate ownership, these studios actually have an equity interest in the production company. Mac St. Johns, spokesman for the IA in Hollywood, says under Article 20 of the union's contract, the majors can do both legally. They can finance nonunion companies and farm out production as long as they have no creative control. "We think a number of times they have more artistic control than not," says St. Johns. "But proving that is very difficult."

MCA/Universal isn't alone in this practice, but has moved more aggressively than most. MCA's partners include The Arthur Company (*Airwolf*), Robert Pittman's Quantum Media (*The Street*) and, most recently, King World. For NBC's made-for-TV movies series, made under the umbrella title *Desperado*, Universal hired Walter Mirisch Corp. and Charles E. Sellier Jr. to handle the production. They shot on location without any below-the-line unions. "We had to be very concerned about costs," says Andrew Mirisch, executive producer of *Desperado*. "A period picture costs more going in. To come out [financially] you can't go over the license fee."

The ultimate test case in this nonunion shell game may well turn out to involve Columbia Pictures Entertainment. A union official says he has been told that CPE, formed early this year by a merger of Tri-Star and Coca-Cola's Entertainment Business Sector, considers itself a new corporation that isn't automatically subject to union agreements signed previously by Coke's Columbia Pictures and Embassy Communications. CPE executives had no comment.

Many producers have stayed union only after gaining concessions. Stephen J. Cannell decided to build studios in Vancouver, Canada, to produce shows such as *Wise Guy* and *21 Jump Street* only after the Canadian IA agreed to major concessions on work rules and staffing levels. MGM-TV got concessions for *In the Heat of the Night*. New World, which often shoots nonunion, went with the IA in Hawaii on the CBS show *Tour of Duty* after it was assured of significant cost and staffing concessions.

Other producers just won't use the union at all. Charles Fries, for instance, always goes nonunion below the line, as he did on *Supercarrier*. When asked about it, Fries said, "It's very dangerous for us to publicize what we're doing. I'd like to put 'No comment' on this."

Even in places like Chicago, where there are IA and Teamsters locals, producers see a difference. "In L.A., the union attitude is, take the money and run," says Richard Rosetti, a longtime studio executive for Fox and Taft who most recently produced *Sable* for ABC. "In Chicago, the IA people desperately want the work. Their attitude is kind of, 'Let's put on a show.' Everyone—the grips, the electricians, even wardrobe people—were just beautiful to us, very helpful," says Rosetti.

In Florida, the IA in Miami merged all the different crafts into a single "super local." That helped simplify the situation for outside producers and made it easier for workers to cross over and do several different jobs on the set. The super local grew out of a desire to encourage production in Florida and to create a larger number of jobs for new union members.

In Orlando, IA local 631 has 350 members, half of whom work full time for Disney World in areas such as communications, makeup and hairstyling. Most of the students at Valencia Com-

Pieces of the L.A. Puzzle

Local #[1]	Name, Constituency	Jurisdiction	Sample Minimum Hourly Wage
IATSE			
44	Affil. Property Craftpersons (Prop makers, drapers, upholsters)	LA county	$18.28
80	Motion Picture Studio Grips	LA county	$17.86
659	Int. Photographers Guild (Camera operators, still photographers)	Western U.S.	$29.84
683	Lab. Film/Video Technicians of the Motion Picture and TV Industries	LA county	$16.61
695	Int. Sound Technicians, Cinetechnicians, TV Engineers, Studio Projectionists and Video Projection Technicians of the Motion Picture and TV Industries (Projectionists, mixers, microphone boom operators, TV engineers)	Wherever employer goes	$22.48
705	Motion Picture Costumers	LA county	$18.09
706	Make-up Artists and Hairstylists	All U.S. but 17 Eastern states; Canada	$23.79, $20.70
717[2]	Production Office Coordinators and Accountants Guild	LA, Orange, San Diego counties	$15.17
727	Motion Picture Crafts Service (Laborers)	LA county	$16.44
728	Studio Electrical Lighting Technicians	LA county	$17.86
729	Motion Picture Set Painters and Sign Writers	Western U.S.	$18.28
767	Motion Picture Studio First Aid Employees	Western U.S.	$16.31
776	Motion Picture and Videotape Editors Guild (Feature, serial, montage editors, Sound, music editors)	Western U.S.	$1,477.77 (weekly)
790	Illustrators and Matte Artists	LA county	$30.20
816	Scenic and Title Artists	Western U.S.	$24.47
818	Publicists Guild of America	U.S., Canada	$14.98
847	Set Designers and Model Makers of the Motion Picture, TV and Amusement Industries	LA county	$21.99
854	Story Analysts	LA county	$17.85
871	Script Supervisors	LA county	$16.45
876	Society of Motion Picture and TV Art Directors	All U.S. but New York	$1655.42 (weekly)
884	Studio Teachers and Welfare Workers	California	$22.72
892	Costume Designers Guild	LA county	$1178.99 (weekly)
Non-IATSE			
1	American Federation of Guards (Police officers, firemen)	LA, Orange counties	$10.50
40	Int. Brotherhood of Electrical Workers (IBEW)	LA county	$19.07
78	United Assn. of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the U.S. and Canada	LA county	$18.28
399	Studio Transportation Drivers (TEAMSTERS) (Drivers, mechanics, location managers, animal trainers)	Western U.S.; Western Canada	$16.61
724	Studio Utility Employees (Laborers)	LA county	$15.80
755	Operative Plasterers and Cement Masons Int. Assn. of U.S. and Canada, Studio Plasterers	Western U.S.	$18.83
NABET			
53	**DIVISIONS**		
	Camera	LA, Kern, Orange, San Bernardino, Riverside, Ventura, Santa Barbara and San Luis Obispo counties	$24.87
	Production Sound	Same as above	$22.38
	Electrical	Same as above	$18.55
	Art (Art directors, set decorators, graphic artists)	Same as above	$24.10
	Set Construction (Draftsmen, painters, drapers)	Same as above	$24.10
	Editing (Audio engineers)	Same as above	$24.10
	Special Services (Production assistants, animal specialists, teachers, drivers)	Same as above	$10.28
	Video (Technical directors, video camera operators)	Same as above	$22.38

[1] Where a local encompasses several different jobs and minimum wages, the figures reflect the most typical positions.
[2] IATSE Local #717 in Los Angeles does not bargain collectively and requires a separate agreement.

Research: Rhoda Fukushima
Sources: Channels, 1988 IDC Labor Guide

munity College are members who wish to upgrade their skills. There was keen competition for entry. Only about one in four was admitted to the sessions, which are free. The costs are underwritten by a $200,000 grant from the state of Florida as part of a program to create jobs, and $297,000 in matching funds from Disney. Disney is also making its studio facilities available for free as a training site. MCA is now considering, among other options, underwriting additional classes.

The one thing Disney hasn't done is guarantee jobs. "Disney's contract with us just says they will make every effort to use union-referred personnel, but nonunion producers are free to rent the facilities," says Brian Lawlor, business rep of Local 631.

With the build-up in central Florida, Lawlor is being challenged within his own union. A studio-mechanics local in Miami wants to expand north and take over representation of camera operators. That would mean a producer must deal with two unions instead of one. Lawlor is fighting it, but may be overruled by the international IA, which has ultimate authority over jurisdictional questions. Disney, naturally, opposes any change.

Many productions that avoid using an IA crew still end up with Teamsters drivers, simply because the Teamsters are more willing to get tough. The Teamsters, who didn't return calls for this article, have been accused in the past of making threats against nonunion producers. Occasional incidents still occur. After articles appeared about nonunion production of *The Street* in New Jersey, producer Bob Altman says production was disrupted by members of the Teamsters. "They were literally ripping up generators and giving half-hour blasts on diesel horns," Altman says. "They were actually quite militant."

It is unlikely that the day will come when Hollywood's craft unions give up. Disney's Reiss thinks that even if the IA disappeared, another union would rise in its place, and that if the unions don't compromise, most production will move out of L.A.

There are voices being raised on both sides to avoid that day. "The producers and the unions have to realize what's going on before we've priced ourselves out of business," says Bernie Brillstein, personal manager, movie mogul and executive producer of such TV shows as *ALF* and *It's Garry Shandling's Show*. "This has always been a great business for putting your head in the sand. Now it's time to ask what's going on."

"It looks like the world is out to get the unions, but it's just not true," says Gene Allen, Oscar-winning art director and head of the IA local representing art directors. "Producers are always going to need talented crews who can get the job done on schedule. You can't do that with amateurs."

"We're in a climate right now that is very pressured," says Leonard Stern, the veteran producer, director and writer, who this fall will produce *Murphy's Law* for ABC. "An economic imperative has been created that we do something collectively to deal with spiraling costs. It's not an overstatement to say that what is at stake here is the welfare of the entire industry." ●

Alex Ben Block is editor in chief of the twice-monthly newsletter $how Biz News *and a contributing editor of* Channels.

IN FOCUS

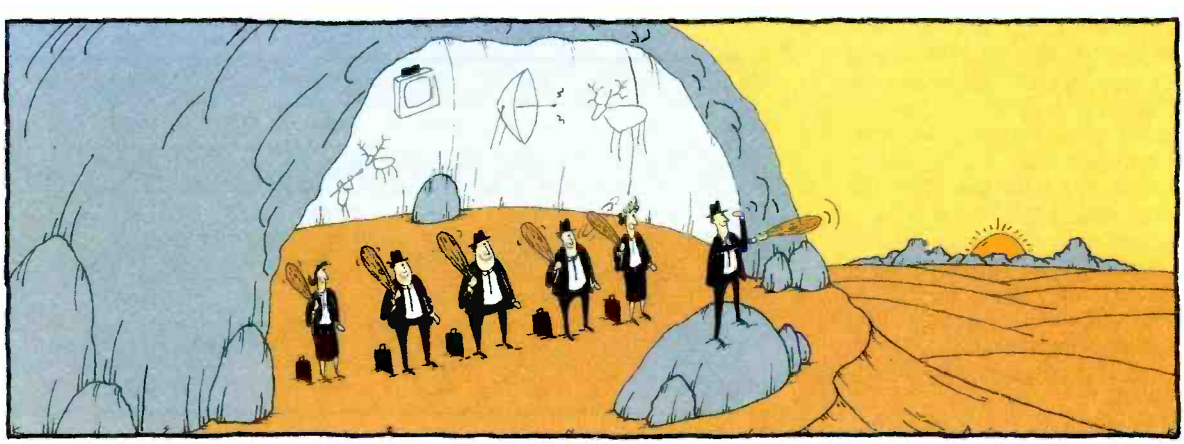
Out of the Stone Age

Having convinced half the country to buy cable, some savvy marketers are discovering that tending to the basics is the most important part of their jobs, and CTAM concurs.

Some years back, in the early eighties when cable marketing was the rage, Cable Television Administration and Marketing Society (CTAM) conferences fairly bristled with arcane, complicated discussions of new multi-pay, multi-tier packages and how to wring the most out of newly built markets. Waves of packaged-goods marketers swept over the cable industry, bringing with them tales of the latest newfangled packages and demographics. But the marketing rage ebbed and was replaced by the industry's preoccupation with putting its financial house in order.

Some argue that cable slipped back into the marketing stone age once the industry got over its first fling with sophisticated marketers. But writer Carol Hall, in an examination of Continental Cablevision's marketing habits, concludes that some very successful cable marketers have made a virtue of keeping marketing simple. Continental's strategy demonstrates that attention to basics nets excellent numbers. And, across the industry, human-resources executives report that marketing salaries at major MSOs are drawing equal to those in the packaged-goods field, another sign of progress.

The second article in our cable-marketing section takes a look at CTAM, the cable marketer's preeminent professional organization, and finds it in transition under the leadership of its new president, Margaret Durborow. CTAM has begun a concerted effort to expand its reach beyond marketing executives to include administrative people at all levels of the industry, and it promises to extend the reach of its programs all the way down to the system level through the development of CTAM regional chapters. In this way, CTAM wants to help the industry put its money where its mouth has been on the nagging issue of customer service. As Durborow pointed out to *Channels* senior editor Kirsten Beck, in today's increasingly complex home entertainment market, competition is a major problem only if there are unhappy, dissatisfied customers. ●



MARK KSENIAK

Excelling at The Basics

At Continental, every customer contact is part of the marketing process, customer service is king and the result is steady growth.

BY CAROL HALL

Whether the product is burgers from McDonald's or silks from Bloomingdale's, successful marketing means more than just making certain the right customer is receiving the right pitch. Marketing involves a company's presentation of itself to consumers on every level, from advertising to direct-mail flyers to telephone contact. But in an industry such as cable, where some argue that marketing is still in the stone age, excelling at the basics can make a company a star. And by this measure, many cable-industry observers agree that Continental Cablevision excels. Andrew Orgel, senior v.p. at Arts & Entertainment Network, says Continental is "one of the savviest marketers in the business and has been for some time."

Yet company chairman/CEO Amos Hostetter Jr. readily admits: "We may be the best marketers in the cable industry, but that doesn't mean we're great. It's a reflection on an industry that just discovered the importance of marketing and customer service."

Continental's pay-to-basic sales tally of 112.8 percent earns it first place among the top ten MSOs (sixth among the top 50), according to Paul Kagan Associates. The company's 53.6 percent basic market penetration is surprisingly low in comparison. But Hostetter points out that within the past year, the company has added two systems passing nearly one million homes with less than 25 percent penetration, causing companywide penetration figures to drop. In fact, if its Los Angeles and Fresno systems were omitted, Continental's basic penetration would be 64.67 percent.

In a testament to the company's confidence in its marketing know-how, Continental has acquired franchises in recalcitrant markets abandoned as lost causes by previous owners. "They offer us the biggest upside," says Hostetter.

Such assuredness may well be justified. Currently the country's third-ranking MSO, with 2.1 million subscribers, Continental stands out by combining well-executed, creative marketing programs in equal measure with basics like solid customer service, good community relations and a tradition of support and training for its employees.

A key component of the company's marketing strength is its organizational structure, which combines decentralized operations with a strong central marketing department at corporate headquarters. Continental has stuck to the same management plan since its start-up in 1963. It hasn't shunted policy-making responsibilities between its field offices and corporate headquarters, as have some other MSOs.

This steady-as-you-go course has helped Continental to report a compound revenue growth rate of about 37 percent and a compound subscriber growth rate of about 23 percent over the last ten years. The company says its 1987 monthly revenue per sub is $26.15, a sum that exceeds Paul Kagan Associates' 1987 industry average of $24.53 (through September 30).

Hostetter says of his strategy, "We've stayed away from the faddish, and some may have thought we were slow to adopt new approaches." But, he explains, "we never went in for the multi-multi-tier pay packages. We stick to the concept that you can sell a fairly priced basic service and at least one pay to everybody and hold out an additional option of a sports, children's or cultural service."

In addition to keeping the product mix simple, Hostetter has incorporated a marketing philosophy into his company's credo. "We have made marketing the central purpose of this company," he says, and every customer contact is part of the marketing process.

The company's Boston headquarters is home to a small but influential staff of about 40, 20 of whom make up the company's corporate marketing department. Central marketing includes an in-house advertising and promotion agency, a consulting field-services group and a research and analysis staff. The corporate marketing teams' main function is to act as a sounding board and a resource for the field offices. The company's decentralized culture virtu-

CONTINENTAL'S CLIMB

	Ranking in Top 100 MSOs	Basic Subs (000)	Pay Units (000)	Homes Passed (000)	Basic Percent to Homes Passed	Pay Percent to Basic	Pay Percent to Homes Passed
1987	3	1,556	1,648	2,780	56.3	105.2	59.3
1986	3	1,403	1,541	2,580	54.5	109.8	59.7
1985	7	1,137	1,309	2,040	55.7	115.1	64.2
1984	8	965	1,105	1,790	53.9	114.5	61.7
1983	9	748	844	1,400	53.4	112.8	60.3
1982	10	619	684	1,225	50.5	110.5	55.8
1981	12	449.5	415.2	952.7	47.2	92.4	43.6
1980	13	341	216	710	40.0	63.3	30.4

Source: Paul Kagan Associates Inc.

ally prohibits the issuing of marketing directives. The rest of the company's roughly 5,500 employees populate offices in the ten operating regions that manage its 140 systems. The regions, which range in size from 107,000 to 329,000 subscribers, are carved into 27 districts.

While Continental isn't as decentralized as TCI, on a scale of one to ten it's about a seven. Much of the senior marketing staff is in the field. They make the overwhelming majority of marketing calls and are responsible for drawing up their own budgets. Frederick Livingston, senior v.p./marketing, estimates that the districts spend an average of 7 to 9 percent of revenues on marketing and promotion. The industry average ranges from 3 to 5 percent.

Though the regions share marketing information and communicate often among themselves, contact with the Boston headquarters is infrequent. "Occasionally, I've gone for two or three months without talking to someone in corporate," recalls Marshall H. Strickland, marketing director of the Illinois, Iowa and Missouri region. "I'm not even sure headquarters has my marketing plan," adds Ken Dye, marketing director for Virginia.

The structure frees local offices to exploit purely local opportunities. In 1984, for instance, the Jacksonville system bought the rights to telecast the games of the now-defunct USFL Jacksonville Bulls, a move that added over 5,000 subscribers. Hostetter says it was the type of opportunity that "any sort of centrally generated marketing program never would have discovered."

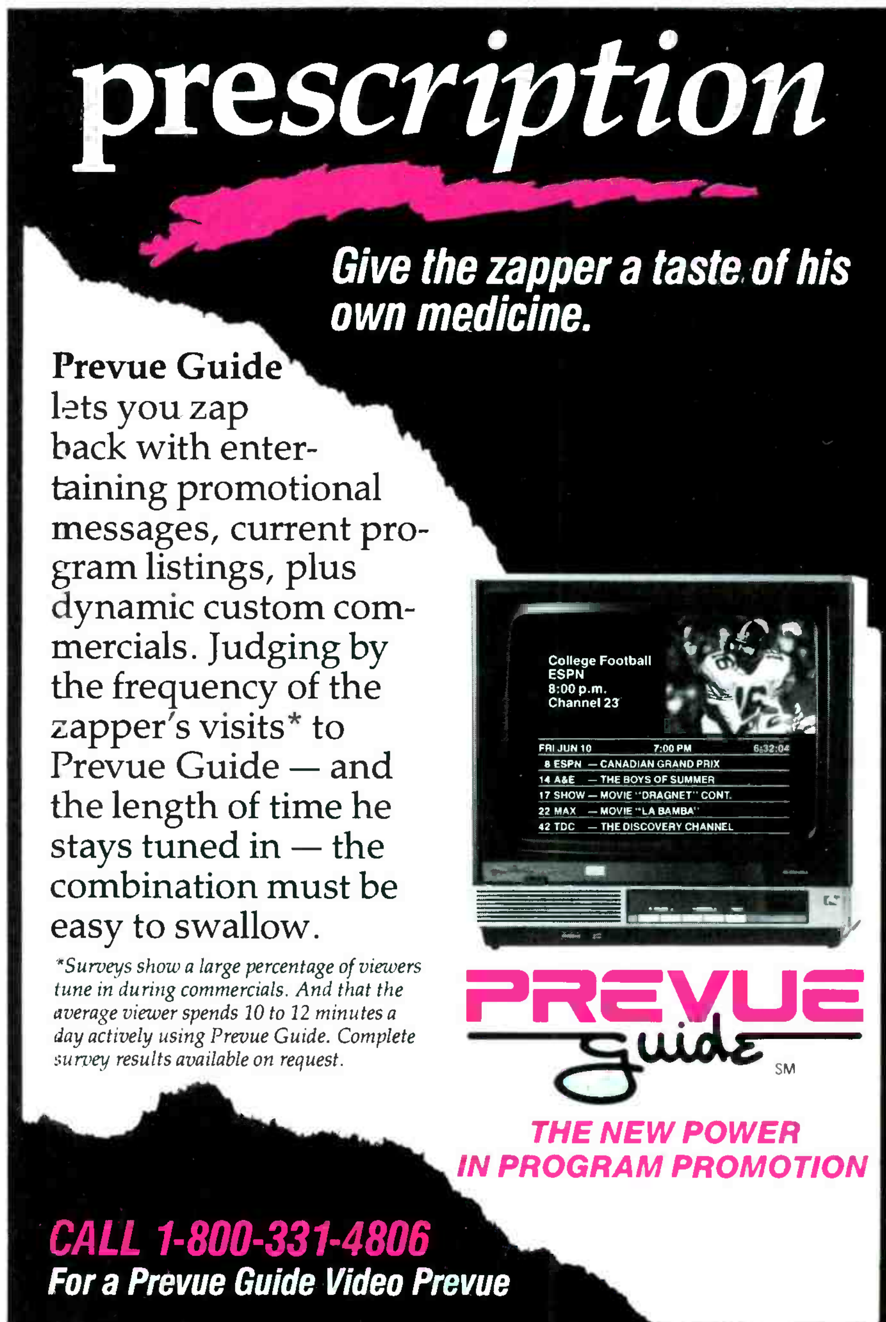
One pay-service executive who has worked with Continental for a number of years notes that they succeed at the difficult task of combining both centralization and decentralization in a corporate marketing strategy. He largely credits Livingston's special skill in facilitating companywide communication.

Maintaining communication is one of the responsibilities of marketing headquarters. The group also tries to identify trends, ideas and strategies—the kind of work system-level people often don't have time for, says Livingston. The in-house agency exists primarily to take advantage of economies of scale, especially in producing materials for corporate campaigns. The agency conducts two direct-mail subscriber-acquisition campaigns each year, produces quarterly promotions, handles 10 to 30 percent of local systems' advertising and promotion and maintains a "shelf" of marketing tools, including direct-mail, newspaper and radio ad campaigns, that can be used straight off the shelf or tailored to local needs.

Other MSOs have in-house agencies, too. At Continental, however, the agency group actually competes with local ad agencies for internal business, and the divisions can vote no on any programs Boston pitches to them.

It helps that Continental's ad group is good; it has even been able to sell some of its campaigns to other MSOs, again rare for the industry. And last fall the group was hired as the agency for the Boston region's MSO cooperative.

While Continental's marketing people have their share of great ideas, more often they are praised for their execution. For one thing, notes Carole Kealy, director of national accounts at A&E, "I find they do more market research than other MSOs." The company puts great



store in research—before and after a marketing campaign—using telemarketing, direct mail and focus groups on the local level. At the corporate level, it runs two national subscriber surveys a year. "They can be very MBA-ish, analyzing everything eight ways to Sunday," chuckles Jody Crabtree, v.p./national accounts at USA Network. "But that's a level of sophistication that does not exist at most MSOs."

For all the programmer plaudits, however, Continental is a company that keeps to itself. The company didn't even have a public-relations office until it bought American Cablesystems last February. As one HBO executive says, "It just tends to its knittin.'" As the company squares off against its recalcitrant markets, chances are good that Continental's marketers will continue to excel at the basics—and quietly make a success of things. ●

Carol Hall is a Brooklyn-based writer specializing in communications.

Jacksonville's Cool 2,500

The successful "Cablevision '87" campaign launched by Continental's Jacksonville region is one example of the kind of innovative marketing the company prides itself on. Aided by such skillful efforts, the system, which is Continental's largest, has grown by over 70 percent (from 87,000 subs to 149,000) since its purchase in 1984.

What was unique about the promotion—and typical of Continental's marketing—is that it broke new ground for cable. In January 1987 the regional group launched a three-hour promotional special touting the wonders of cable TV—on WJKS, then an NBC affiliate. At the time, such "broadcast previews" were relatively rare on network affiliates. Moreover, the mini-telethon displayed a distinctly local flair by featuring familiar broadcast personalities who had made names for themselves in the area before moving on to cable networks like WTBS, CNN and Video Hits One.

The region spent $35,000 to promote the show. Before it aired, the community was blitzed with newspaper ads, radio spots and tune-in commercials on WJKS. Fifty thousand tune-in postcards were mailed. "But most important, we marketed the event heavily to our employees," notes marketing manager George Thorry. "Nothing's more effective than word-of-mouth."

The promo took three months from start through post-mortem research. It added over 2,500 new subscribers; follow-up research showed that 26 percent were households that had never before been wired for cable. Thorry thinks that, aside from the $20,000 fee for its airtime, WJKS agreed to the idea because the "shock value" of cable on broadcast TV could generate a high tune-in rate and a good environment for WJKS promos. Also, Thorry adds about his broadcast compatriots, "They see cable has come to stay. They can either fight us or join us." *C.H.*

Rites of Passage At CTAM

CTAM's new president promises to shake up the board, bring new visibility to the group and address some of cable's most troubling issues.

BY KIRSTEN BECK

Margaret Durborow's toughness is legendary. "A cross between Patton and Pollyanna," goes the typical comment of one associate. Says another of Durborow, the newly installed and very first president and chief operating officer of the Cable Television Administration and Marketing Society: "She's got fire in her belly."

She'll need all the determination she can bring to CTAM. It is an organization in search of a clearly defined mission, one that brings together a cable business rarely able to reach consensus on what cable marketing really means and never able to address coherently cable's major plague: How to relate to consumers and improve customer service. Durborow says cable is just beginning to seriously face this challenge: "Customer service has been a theme in the industry, but unfortunately, without a great deal of music behind it. In fact, no one has written a good verse yet."

In spite of the fact that consumer needs and customer-service issues are common currency in public discourse about the cable industry today, some inside CTAM worry that the message may not have penetrated beyond the executive suite down to the general-manager and system level. With system attention moving from construction, the agenda now shifts to programming and marketing. But CTAM must also overcome industry compensation practices, which only rarely link managerial pay to customer-service ratings.

But Durborow is no stranger to such challenges. For the past three years, before moving on to CTAM, Durborow was vice president, marketing and programming, for United Cable Television of Los Angeles, a post she took after running her own cable-oriented marketing firm for 13 years in Columbus, Ohio. There she counted Warner Cable Communications, American Television and Communications, United Cable and Pioneer Electronics among clients. She'll be wooing industry colleagues with a mixture of her widely acknowledged drive and touches of a lingering childhood drawl, left over from her upbringing in the genteel West Virginia resort town of White Sulphur Springs. Supporters say that mix is just what it will take to shake things up at CTAM, an organization which in the past has been known primarily for an annual conference and for various services aimed at cable marketers.


Durborow: Is she Patton or Pollyanna?

CTAM was founded in 1975, and by the early eighties it focused primarily on marketing. The organization was a kind of nitty-gritty, self-help group for cable marketers who were then coping with the introduction of new pay services and multi-pay, multi-tier marketing. In 1984, however, CTAM's board began to readjust its focus to include more administrative concerns.

CTAM's reputation in earlier days "wasn't as professional as it should have been," says Nimrod J. Kovacs, United Cable's v.p./marketing, programming and communications. Many people, he says, thought of CTAM as "guys who got together to shoot the breeze." Since then, he says, CTAM has grown more professional, and Durborow's arrival extends that growth.

CTAM membership, currently at 1,425, has doubled over the past three years; Durborow expects it to grow to over 2,200 this year. The organization has a full-time staff of eight and its activities have expanded dramatically. Three major new projects, CTAM's subscriber data base and MSO- and programmer-compensation surveys, were started within the past three years.

As the organization's agenda has grown, explains David Van Valkenburg, CTAM vice chairman and Paragon Communications president, "CTAM has surpassed the ability of [its board] to manage it." Extensive day-to-day board member involvement with executive directors Victor Parra, Dean Waite and Lucille Larkin was the norm. When activity became too intense and the organization needed more visibility, the board abolished the executive director slot and created a presidency, carrying with it a board seat. Durborow's arrival marks CTAM's transition from a volunteer board-run organization to a professionally staffed association.

Durborow's full plate of activities is clear as she pauses to tick off the components of CTAM's mission. The organization, she says, will continue to broaden its focus; "administration has gotten the short end of the stick in the past," and that is being addressed. She has also beefed up the staff, adding people familiar with the cable industry. CTAM is committed to also providing services at the consumer level, which means the association will reach into systems using regional membership development. Other areas of concern include training and development, relatively new areas. And the association will, for the first time this year, address significant programming issues.

Durborow also says the board wants her to "do a classic marketing job on the organization: creating the products, telling people about them and helping people gain access to them." With all this activity in the works, it's little wonder that CTAM's 1988 internal strategic plan expresses concern about the organization "taking on more than we can execute on a quality basis." But board chair and Heritage Communications executive v.p. Rod G. Thole warns against thinking that CTAM is running off "willy-nilly in all different directions. We've turned away many good projects," he says, "simply because we couldn't handle them." Thole and Van Valkenburg both believe the cable industry does not fully understand CTAM, and they are determined to raise the organization's profile. At the same time, by offering seminars, workshops and the annual conference, CTAM is continuing its role as an educational resource. By opening regional chapters, the board feels it can expand the number of people reached, and penetrate deeper into the structure of the industry.

Although CTAM is criticized by some for the direction it has taken, nearly everyone agrees with Jerry Maglio, executive vice president, marketing and programming for Daniels and Associates and a former board member, who says CTAM's research and seminars are "wonderful services that are supplemental to what is done at the MSO and the system level."

But a former board member who declined to be identified worries that CTAM, like many other organizations, has a need to grow larger and larger to justify its existence on the basis of the number of people who are enrolled and participating. Such growth robs CTAM and its conference of intimacy, and makes the one-to-one sharing that was typical of the early days of CTAM's meetings a thing of the past. And as it grows, this executive fears, CTAM also needs to have its future assured by rising revenues.

Moreover, CTAM faces both competitive and financial challenges, some of which are detailed in CTAM's 1988 strategic-planning documents. Cable consolidation is reducing the total number of MSOs and therefore threatens to limit the amount of income CTAM can expect from the industry sector that currently provides nearly 60 percent of its members. (Membership in CTAM is individual, not corporate, but companies often pay employee dues.) At the same time, new organizations such as the Cable Television Public Affairs Association—a professional organization for industry public-relations people—have formed and are competitors for membership. CTAM's response has been to broaden and deepen membership sources.

Not only is CTAM trying to attract more administrative and operations people, but Thole says that as a part of its marketing plan, CTAM is targeting underepresented MSOs. Regional chapters have begun in the Rocky Mountain and Mid-Atlantic areas, and one serving the Great Lakes is starting up. Both are designed to create added participation in CTAM activities, and Durborow expects two more chapters by year end.

Financially, the organization is on sound footing at the moment, having created a $500,000 emergency reserve fund that assures the organization's survival for a year without additional income. Thole expects the operating budget to grow from $1.4 million to $2 million by 1991. Membership dues were raised 50 percent this year, from $100 to

$150, but there are no plans for a dues hike next year. Conference fees, too, were increased, but by a much smaller percentage.

Although Thole maintains that none of CTAM's activities are driven by income needs and most are carried forward exclusively by volunteers, without more revenue the organization will need to plan carefully to finance major new programs or staff expansion.

In spite of these real concerns, people familiar with CTAM like to point out that it is a volunteer organization at heart. All board members except the president are volunteers. Each board member chairs one of 12 committees, recruits committee members and commits to attending at least three of the four annual board meetings. Van Valkenburg says the board "controls policy, not committee actions, although several board policies circumscribe committee activity somewhat: Projects must be self-liquidating and CTAM does not endorse products or services."

CTAM is best known in the industry for its annual conference and its awards for excellence in marketing, but in addition to those activities, the organization sponsors and oversees a number of research and publication projects along with a growing array of industry-related workshops and seminars.

CTAM's subscriber database research that began in mid-1986 provides quarterly data on subscriber activity (pay and basic installs, upgrades, downgrades, disconnects) drawn from billing tapes provided by 300 systems for analysis by A.C. Nielsen. At the moment, 23 MSOs pay fees ranging from $5,000 to $20,000 a year for this data. The data "gives you a sanity check," says Margaret Troha, Cox Communications' senior research analyst. The reports include demographic analysis and system executives use them to see where their systems stand compared to similar ones.

The MSO compensation survey is in its third year and tracks remuneration levels of 45 different MSO positions at corporate, regional and system levels. A further refinement added this year is a break-out of the information into A, B and C level markets within regions. This year, CTAM is launching a similar service for programmers, tracking 50 pay and basic network slots.

Seminars and workshops have become increasingly important as CTAM stresses programs for system managers. One of Durborow's first acts as CTAM president was to survey 3,000 general managers to determine what topics they would value most for the 1988 seminars. The survey also asked a number of questions designed to find out "what is on the mind of managers of cable systems," as the CTAM newsletter reported. The general manager seminars are a key element in CTAM's strategic plans, enabling it to reach beyond the MSO level into the operational level, where such issues as customer service can make or break a system. They also establish CTAM as a source of professional training for the industry.

Van Valkenburg: the consumer is everything.

'Customer service has been a theme in the industry,' says Durborow. 'But no one has written a good verse yet.'

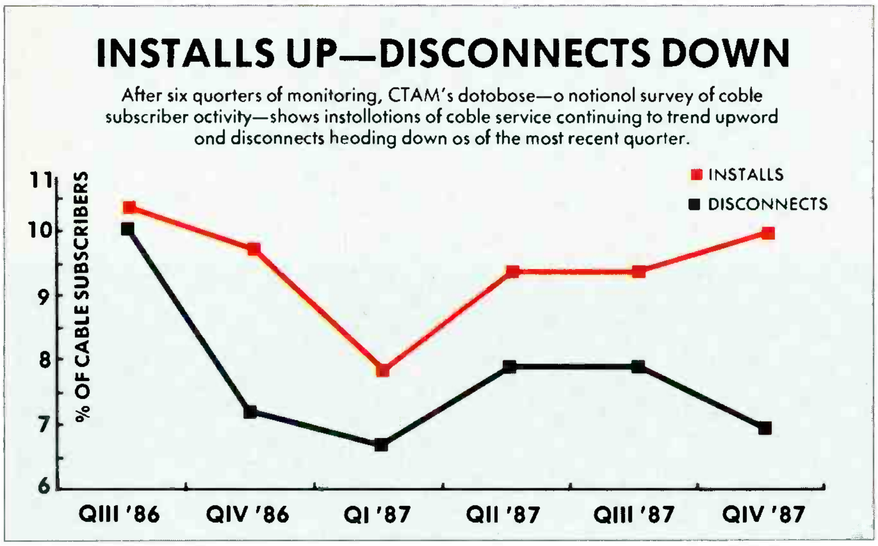
Thole: CTAM targets underepresented MSOs.

This step of offering extensive professional training is symbolic of CTAM's transformation. In the past, these seminars were run by peers. But, with the introduction of a professionally designed curriculum, they become less a peer forum for exchange and more a professionally run educational program.

The same change is evident in the running of the organization itself as CTAM's reins are turned over to executive level management. Thole says when the board decided to establish a presidency, it wanted more than a cable entrepreneur who could also be a visible CTAM spokesperson. What the board sought was someone who could "stretch the board, manage a staff and work with volunteers and committees," while preserving CTAM's democratic spirit.

Not surprisingly, given these requirements, Durborow's first few months were bumpy. Thole says part of the board's charge to Durborow was to raise CTAM's visibility with all its constituencies—the press, CEOs, systems, members, nonmembers and politicians. But her initial intention to release the full results of CTAM's survey of general managers was vetoed by the board, replaced by a decision to release only carefully selected excerpts. A press conference designed to focus attention on the survey, originally listed as an NCTA convention event, was shelved. The board also vetoed Durborow's invitation to a reporter to view the committee-reporting portion of a board meeting, but only after the reporter had boarded a plane for the meeting. These events, small in themselves, are probably indicators of a lack of skill in handling publicity, along with board uncertainty about Durborow's search for attention for the revamped CTAM.

Several insiders say there is a still unspoken, but significant, ambivalence among board members regarding the new focus and accompanying expansion of CTAM's mission, and most informed observers describe the board as an institution in transition. Durborow agrees: "The board ventured into deep water when they brought me in," she says. "Some of them knew it and were pleased, and others weren't thrilled.



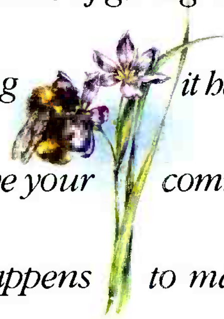
But it wasn't just me; it's the way CTAM operated. Before, the board approved everything. They don't do that anymore. We are having to learn to work together too. I'm not going to just go running out to the end of my rope and hang myself. I'm going to go out just so far, stop, look back, and say 'Okay guys? Is this okay?' That's just common sense."

Durborow says thus far there have been few board matters requiring her to fight, or "paw the air" as she says in her sly West Virginia manner. But she is known industrywide as a woman with a reputation for speaking her mind, even on controversial topics. And the CTAM board is perhaps best characterized, by one of its former members, as being somewhat "afraid to speak out clearly," even with its own newly aggressive stance.

"Because they rely on the funding of these groups to sponsor individual memberships, they don't want to make it look like they're out for a power grab or land grab that will make people in high places say, 'Hey, wait a minute. That's not what we want from this organization,' " says the former board member.

It will take time to judge whether CTAM's new president can walk the line between her board's natural caution and her own inclination to speak fervently on the issues she thinks affect the cable industry. CTAM's future success, however, may well depend on how carefully this balance is maintained. ●

IMAGINE *a world where people give of themselves simply because they want to. Not out of a sense of debt. Or because they want something in return. No ulterior motives. No guilt feelings. Just the desire to give for the sake of giving. Now, instead of imagining this kind of world, do your part in making*



it happen. Make a charitable donation. Volunteer your time to improve your community. Give back to the world that gives so much to you. And if it happens to make you feel good to give, that's all right. Feeling good is the one ulterior motive that's acceptable.

Bill Daniels, Daniels Communications Center, 2930 E. Third Avenue, Denver, Colorado 80206

TALK SHOW

U.S. Media: No Guts?

Africa Report surveyed South Africa coverage in major American newspapers, reviewed Vanderbilt University's *TV News Index and Abstracts* . . . and spoke with editors and correspondents in the U.S. and South Africa.

. . . One conclusion was undebatable: There has been less coverage of South Africa overall, especially since the various press bans went into effect starting in late 1985. Using my own nonscientific "bathroom scale test," I weighed the *TV News Index and Abstracts* on South Africa from July-October 1985, a time of intense unrest, comparing it with the same period in 1987, a period of continuing labor unrest which included the strike in the gold mines. There is a three-pound difference. . . .

In August 1985, the three networks—ABC, CBS, NBC—ran 60 South Africa stories between them. In November, after the first month of the press restrictions, there were only 20. At that time, the violence had not abated. A month later, ABC's principal news anchor, Peter Jennings, acknowledged that the restrictions had "worked."

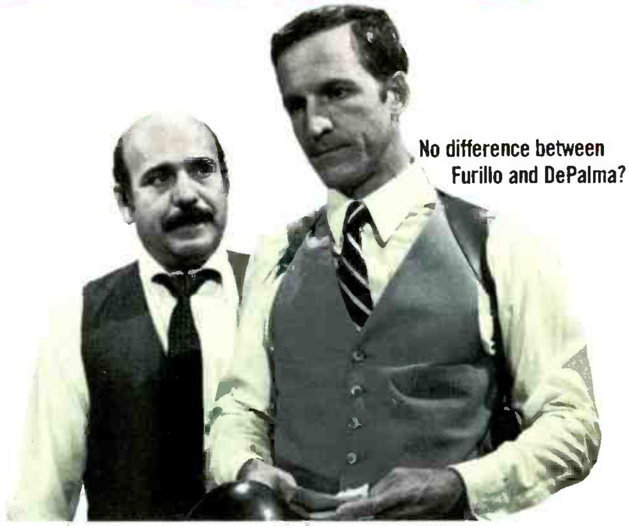
"But there is no formal censorship system," [says *New York Times* foreign editor Joseph Lelyveld]. "I don't think we have ever submitted a line of copy. It's a system of self-censorship. They lay down guidelines and correspondents have to decide how close they want to come to those guidelines. Some use the government's pressure as an excuse for not doing a hell of a lot."

. . . ABC's Ken Walker says that *Nightline*'s celebrated 1985 programs from South Africa followed years of lobbying by black employees and the growth of the Free South Africa movement. He said Pretoria only granted *Nightline* visas after *60 Minutes* carried a Morley Safer report considered flattering by the government there. It expected a repeat performance.

—20/20 producer Danny Schechter, "South Africa: Where Did the Story Go?," reprinted from Africa Report *magazine.*

A/P WIDE WORLD PHOTOS

Pretoria's press ban is an unqualified 'success.'



No difference between Furillo and DePalma?

Kids Think Cosby is Typical

We asked students [from a Howard Beach, Queens, school] to assign themselves to ethnic categories . . . Overall, students approve of television's ethnic characters and consider them typical of their groups. This finding applies not only to positive characters like Bill Cosby's Cliff Huxtable or *Hill Street*'s Frank Furillo, but even to those who embody negative traits, such as George Jefferson or *Taxi*'s Louis DePalma.

Further, those who approve of TV characters are most likely to express positive views of the characters' ethnic or racial groups. This suggests that the continuing appearance of an ethnic character may legitimize him or her as an individual worthy of admiration, if not emulation.

—S. Robert Lichter and Linda S. Lichter, from their report "Television's Impact on Racial and Ethnic Images," released by the American Jewish Committee.

"Pieces of picture tubes and shards of fake-walnut television cabinets went flying through the air yesterday as a group of club-wielding television-haters smashed a dozen TV sets on the steps of the University of California [at Berkeley].

A male student bystander was cut on the forehead by a piece of flying debris and was treated at the University's hospital . . .

[Organizer] Camille said Anti-Authoritarian Studies decided not to hold an anti-TV rally after being denied permission to smash the sets. Nevertheless, she said the cudgels were taken up by an ad-hoc group of anti-TV students."

—Susan Stern, The Berkeley Tribune, *reprinted in the Society for the Eradication of Television (S.E.T.) Newsletter.*

3-D: In-House or Out?

by Robert Rivlin

Farming out the work isn't the only way for stations to get classy local graphics.

Once again the annual conference of the Broadcast Promotion and Marketing Executives Association/Broadcast Designers Association, held this June 8-11 in Los Angeles, has reopened the perennial debate between producing station promotions in-house and farming out the work to a production house.

Until fairly recently, the debate was a short and simple one. The high cost of the minicomputer or mainframe needed to create three-dimensional computer graphics of reasonable quality limited installations to specialized graphics companies such as Pacific Data Images (PDI), Cranston/Csuri and Digital Productions—high-quality production houses that could also attract the best designers in the business.

During the past couple of years, however, hardware prices have dropped dramatically, and graphics software that once ran on the most elaborate computers has been adapted for graphics workstations such as those sold by Silicon Graphics. At the same time, considerable energy has been spent by developers such as Symbolics, Wavefront Technologies, BTS, Alias, Neo Visuals (now marketed through 3M) and Cubicomp/Vertigo to make the software easier to use.

Thus, graphics workstations in the $100,000 range—and requiring the talents of an artist rather than a combination computer programmer/artist—have made it possible for networks and large-market stations to bring graphics systems in-house.

Even more significant for most broadcasters is the introduction during the past two years of a new generation of 3-D systems based on personal computers from such vendors as Cubicomp, Digital Arts and Microtime. Now all the hardware and software (except for a videotape recorder) needed to turn out handsome promos, logos, bumpers and other graphics can be bought for $50,000 to $70,000.

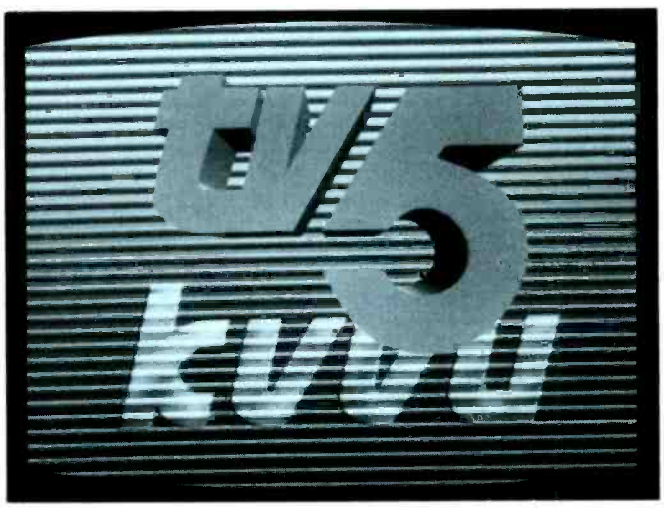
Robert Rivlin is editor in chief of BME *magazine.*

Such an expense may at first seem to make sense, considering that it would cost an average of $2,500 a second for a job taken to an outside firm. But other costs—such as hiring the artist to operate the system and dedicating a VTR for recording the animation—substantially raise the in-house costs.

It must also be pointed out that 3-D is an entirely different animal from the two-dimensional digital art/paint systems widely used to make news, weather and sports graphics. However, some systems, such as the Color-graphics Artstar, can be outfitted with a module that performs 3-D work, though the paint and 3-D functions remain quite distinct.

What makes a 3-D system so different is that it's anything but a quick-turnaround machine. To create a single 3-D video frame, the artist first has to build a geometric model in the computer, "light" it with simulated light sources, then create a background and, finally, instruct the computer to render the image in all its detail. The rendering process alone can take 20 minutes or longer for a single complicated frame. For an animated sequence, the artist must create 30 frames for every second of footage. If 3-D graphics are used for the daily run of news graphics, therefore, they're almost certain to be single frames rather than animation.

Quick turnaround is less of an issue in making 3-D promos in-house, but satisfaction still can't be guaranteed. The output from a station's $70,000 PC-based system could probably rival the opening of *Monday Night at the Movies*—but will it? Some of the country's best specialists spent months designing that network movie opening and used the brainpower of several minicomputers linked together to do it. The station's PC might have to run 24 hours a day for a month to generate graphics of comparable quality and complexity.



A desktop computer may grind away for hours to generate 3-D graphics like Las Vegas independent station KVVU's logo, which was created on an Aurora Systems AU/220.

Beyond these problems is the question of whether a single TV station—even a station producing some commercials for its advertisers—can generate enough graphics work to justify the expense of a system and operator. How much 3-D work will a single station do in a year? And what if fashions change, so that 3-D is no longer "in?"

More and more stations are exploring the solution of producing their 3-D graphics at the station-group level, making it affordable to buy full-performance hardware and software, hire a talented designer and also create a graphic identity for the entire station group. ●

DATABASE

Bochco: New L.A. Laws

by Neal Koch

Behind the controversial writer-producer's new venture is an astonishing transaction.

Two years after he was fired from his post as the chief creative force behind *Hill Street Blues*, Steven Bochco is back—with a bigger smile than ever. Labeled a profligate spender, MTM canned the writer-producer, despite the revolution he brought to prime time programming through complex characters and by highlighting the market appeal of young, upscale, urban viewers. But Bochco kept at it, and he scored another critical success with *L.A. Law* last season. Moreover, this year he leveraged his renown into what appears to be a no-risk-deal package with ABC and Twentieth Century Fox that has already feathered his nest with $35 million in cash and could soon make him worth hundreds of millions of dollars.

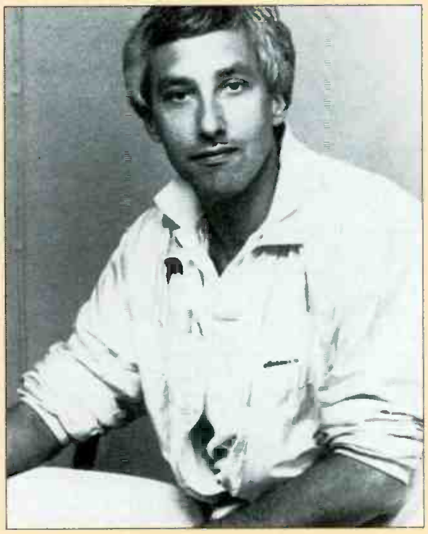
A bit like the multilayered storylines of his shows, Bochco cooked up a complicated deal with two parts, one with ABC, the other with Fox. While both companies declined to comment on the details, a source close to the deal says it plays out like this.

The first part is with ABC. With its ratings difficulties eclipsed only by CBS's troubles, ABC was eager for Bochco's talents. So eager it agreed to pay him certain fees if it failed to order his shows on a set schedule. The network gave Bochco $5 million up front and promised to order ten series (at least five half-hours) over ten years (with Bochco tied to ABC exclusively only during the first six years). For each one of the series it fails to order, the network must pay Bochco an additional $1.5 million. Moreover, Bochco doesn't have to make any pilots. The network either orders the shows (one a year), in minimum runs of 13 episodes, or it doesn't, and makes the payments to Bochco.

Not only will ABC pay a license fee for each show, but the network will finance any production deficits in excess of the fees—interest free. To get around restrictions imposed by the government's financial interest and syndication rules, ABC will do this through a series of loans. What's more, Bochco may never have to repay the loans. The network will write off loans for any show that doesn't go to at least 66 episodes.

And that's only half the deal.

For its part, Fox gave Bochco $30 million up front and will pay him another $15 million over five years. In addition, if any show goes to 66 or more episodes and loans must be repaid to ABC as a result, Fox will make the payments. Fox does confirm that it's remodeling an existing facility on its lot in which Bochco will set up his own shop as an independent producer. He already shoots NBC's *L.A. Law* and ABC's *Hooperman* at the studio in West Los Angeles.



Bochco's Fox/ABC deal has netted him $35 million.

In return, Bochco has pledged to make the new shows at Fox. The studio gets worldwide distribution rights, as well as all ancillary rights to the shows. The gross-distribution and ancillary-rights revenues are divided between Bochco and Fox. That is to say, no distribution fees, no overhead get charged against those revenues. Fox does get the right, before Bochco gets a share of revenues, to recoup out of those revenues some of whatever loan payments it may have made to ABC on behalf of Bochco. Second, it can recoup up to the $45 million in advances it gave Bochco (but this is limited to a certain percentage of each show).

Fox and Bochco then split the balance of the proceeds in a deal even beyond the imaginations of most Hollywood agents: Bochco gets 70 percent of the return from all half-hour shows and 60 percent of all hour shows; Fox gets the remaining percentages.

As good as the deal is, though, it's not all new. Some precedents can be found. When Gannett saw Grant Tinker as its ticket into television production, it spent more than $40 million to buy and refurbish a moribund studio for him. And for years, ABC protected Aaron Spelling from production deficits in their exclusive deal.

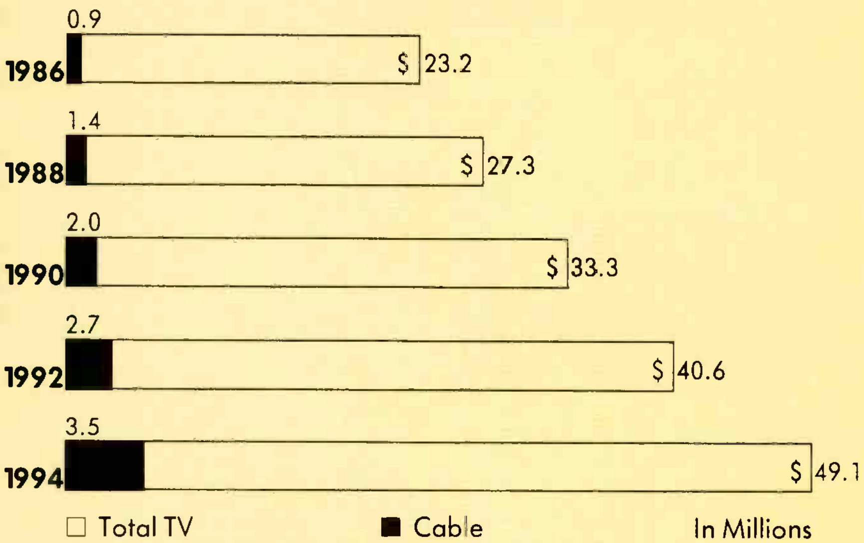
Still, Bochco's arrangement may outshine them both. While GTG declined to say, word is that Tinker gets no penalty payments from CBS if the network fails to pick up shows in the deal between CBS and Tinker's GTG Entertainment. And since the price of Spelling's public securities have plummeted, he's facing problems—particularly with so many of his friends holding shares.

But in the end, the sweetest triumph for Hollywood's latest entry on the superrich list may lie in this simple part of his very complex deal: He retains both total creative and business control. For Steven Bochco, that may be the shiniest golden egg of all. ●

ADVERTISING

Cable Gains in Advertising

Although TV retains a formidable lead in ad volume, cable is chipping away at those dollars. With over 50 percent penetration, though, cable only commands 5 percent of the market.



Sources: Paul Kagan Associates, Inc; McCann-Erickson; TV Bureau of Advertising.

CABLE

Penetration In The Top TV DMA's

The nation's largest Designated Market Areas (DMA's), ranked by TV households, aren't close to having the highest cable penetration rate. Palm Springs, Calif., takes that distinction with 87 percent.

Designated Market Area	Penetration (percent)	Cable TV Households
1. New York	43.2%	2,969,350
2. Los Angeles	41.2	1,915,420
3. Chicago	38.0	1,168,530
4. Philadelphia	51.6	1,331,850
5. San Francisco-Oakland	54.5	1,168,660
6. Boston	59.6	1,230,570
7. Detroit	43.7	734,370
8. Dallas-Ft. Worth	39.6	651,530
9. Washington, D.C.	39.8	642,210
10. Houston	43.7	633,610
11. Cleveland-Akron	48.8	706,460
12. Minneapolis-St. Paul	40.5	511,550
13. Atlanta	45.8	578,600
14. Tampa-St. Pete-Sarasota	53.7	659,770
15. Seattle-Tacoma	59.6	730,280

★ RATINGS ★

TOP NETWORK SERIES

First 38 weeks of season, Sept. 20, 1987, through June 5, 1988

SERIES/NETWORK	RATING/SHARE
1 The Cosby Show/NBC	26.4/43
2 A Different World/NBC	24.3/39
3 Cheers/NBC	23.2/37
4 Growing Pains/ABC	22.8/34
5 Night Court/NBC	22.6/35
6 Golden Girls/NBC	21.3/37
7 Who's The Boss?/ABC	20.4/32
8 60 Minutes/CBS	19.9/34
9 Murder, She Wrote/CBS	19.5/30
10 The Wonder Years/ABC	18.8/29

TOP BARTER SERIES

First 39 weeks of season, Sept. 6, 1987, through May 29, 1988

SERIES/SYNDICATOR	RATING
1 Wheel of Fortune/ King World	16.9
2 Jeopardy!/King World	13.9
3 Universal Pictures Debut Network/(movies)/MCA-TV	10.1#
4 Star Trek: The Next/ Generation/Paramount	10.0#
5 The Oprah Winfrey Show/ King World	9.8
6 Embassy Night at the Movies/Embassy*	9.0#
7 People's Court/ Lorimar Telepictures	7.8#
8 TV Net III (movie package)/Viacom	7.7#
9 MGM/UA Premiere Network/MGM/UA	7.4#
10 Columbia Night at the Movies/Columbia	7.3#

TOP CABLE NETWORKS

Average ratings/projected households, May 1988

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 WTBS	2.3/1,037,000	3.5/1,579,000
2 USA	1.1/ 486,000	1.6/ 708,000
3 ESPN	0.8/ 376,000	1.4/ 658,000
4 CNN	.6/ 277,000	1.0/ 462,000
5 MTV	.6/ 252,000	.7/ 293,000
6 CBN	.6/ 246,000	.6/ 246,000
7 Nashville Network	.5/ 221,000**	1.1/ 466,000
8 Lifetime	.5/ 196,000	.9/ 353,000
9 Discovery	.4/ 129,000**	.7/ 226,000
10 Headline News	.4/ 128,000	.3/ 96,000

#Includes multiple exposures. *Title since changed to Columbia Night at the Movies. Nielsen continues to list both entries.
**9 A.M. to 3 A.M.
Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings.
Source: Nielsen Media Research data

HOME VIDEO

Top Videocassettes/Rentals
May 1988

TITLE/PUBLISHER	% TOP 50*
1 **Untouchables**/Paramount	7.4
2 **Witches of Eastwick**/Warner	7.0
3 **Adventures in Babysitting**/Touchstone	4.4
4 **Stakeout**/Disney	4.2
5 **Princess Bride**/Nelson Ent.	4.1
6 **Innerspace**/Warner	3.9
7 **Dirty Dancing**/Vestron	3.8
8 **Running Man**/Vestron	3.7
9 **Beverly Hills Cop II**/Paramount	3.5
10 **Baby Boom**/CBS/Fox	3.4
11 **Someone to Watch Over Me**/RCA/Columbia	3.2
12 **Robocop**/Orion	2.6
13 **No Way Out**/HBO	2.4
14 **Lost Boys**/Warner	2.3
15 **Platoon**/HBO	2.1
15 **Big Easy**/HBO	2.1
15 **Pick-Up Artist**/CBS/Fox	2.1
15 **Living Daylights**/CBS/Fox	2.1
19 **Less Than Zero**/CBS/Fox	2.0
20 **Can't Buy Me Love**/Touchstone	1.6

Top Videocassettes/Sales
May 1988

TITLE/PUBLISHER	% TOP 50*
1 **Jane Fonda's Start Up**/Lorimar	5.4
2 **Callanetics**/MCA	4.2
3 **Star Trek IV**/Paramount	3.4
3 **Jane Fonda's Low-Impact Aerobics**/Lorimar	3.4
5 **Lady and the Tramp**/Disney	3.3
6 **Playmate of the Year: 1988**/HBO	3.0
7 **Star Trek Vol. 64**/Paramount	2.6
7 **Star Trek Vol. 66**/Paramount	2.6
9 **Jane Fonda's New Workout**/Lorimar	2.5
10 **Star Trek Vol. 67**/Paramount	2.4
10 **Prince: Sign O' the Times**/MCA	2.4
12 **Star Trek Vol. 78**/Paramount	2.3
13 **Star Trek Vol. 65**/Paramount	2.2
13 **Star Trek Vol. 68**/Paramount	2.2
15 **Star Trek Vol. 76**/Paramount	2.1
15 **Star Trek Vol. 77**/Paramount	2.1
17 **Automatic Golf**/Video Reel	2.0
17 **Star Trek Vol. 73**/Paramount	2.0
17 **Star Trek Vol. 57**/Paramount	2.0
17 **Star Trek Vol. 69**/Paramount	2.0

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

SOUND BITES

On Hollywood's Mind: Cable And the Unions

Amid growing cable concentration and rising production costs, Sid Sheinberg calls for re-regulation and restructuring.

MCA president Sidney J. Sheinberg is no shrinking violet. A strong negotiator, he began his career as a UCLA law professor after finishing second in his class at Columbia University's law school. He joined MCA's legal department almost 30 years ago, perhaps a natural move for someone so taken with radio in his youth, and moved to company president in 1973. Reported to be a tough-minded workaholic with a keen intellect, he, along with chairman Lew Wasserman, guides a company that's not only known for feature films and production of hour-long television shows but as owner of a major independent station, WWOR in New York, half of the USA cable network and is now involved in production for half-hour, first-run syndication. Sheinberg, 53, recently brought his unique perspective to a discussion of industry issues with Channels *West Coast editor Neal Koch.*

Re-regulating Cable

The major issues that we are confronted with today—and I say this not in a provocative manner nor do I say it to further agitate the various discussions that periodically seem to go on between cable and broadcast and so-called Hollywood interests—the basic issues today are issues of power and of concentration. The nonregulated nature of cable is an issue that must be revisited. Unfortunately, we got caught up as a society in a fervor for deregulation, and in such fervor, we went from a possibly excessively regulated model to a model right now that is absurdly nonregulated. There should be no situation where there is a monopoly into the home that is unregulated. It is absurd to argue that anybody that uses the public roadways and that has, in some cases *de jure* and in some cases *de facto*, monopoly power should be unfettered.

Now, the other side of the coin is, it also does not follow that everybody should have unlimited access to [cable] systems. We have a reasonable model in the United States that we've lived with for a number of years, and that's broadcasting. The issues of how many networks could any one person control, of ownership in programs, of how many stations someone should be able to own or control, are not that dissimilar from the issues involving cable.

Cable and Hollywood

Hey, everybody can throw rocks at everybody, but I think publishing all kinds of little white papers about alleged misdeeds of the motion picture industry is beneath the cable industry. I mean, we sit here in 1988—the motion picture business is a mature business, it's a fiercely competitive business. It doesn't have a monopoly. If it did, quite frankly, it would worry less about cable than it presently does. I don't think anybody can argue that with a straight face.

Cable Carriage

When you say "Is it possible that people who run cable systems will say, 'We don't have to carry you to begin with, and we'll only carry you if you waive whatever rights you've got to your exclusive program,' " I say, "Yes, I can very easily see that happening." But to me it's part of a bigger problem, and it seems to me that sooner rather than later, there is going to have to be a very serious bit of revisiting of the constraints that should be on cable.

Turner's New Network

Ted Turner is a friend of mine and I think a true visionary insofar as the potential of cable is concerned. I am concerned that this visionary is in a situation where he's subject to the control of a group of cable systems, so I would have to say that I think you'll probably find that Hollywood looks with mixed feelings toward TNT. On the one hand, we welcome a new supplier. On the other hand, we don't welcome any greater power and control from cable. So my hope in all these areas is that a working *modus vivendi* can be achieved where people tend not to threaten people. I am totally convinced that industries are generally best served by peaceful coexistence and not by constant wars or constant intimidation, because that tends to lead to a group of losers.

The Unions

We are in a business that is undergoing very radical restructuring. If there isn't leadership on the part of producers and on the part of the unions that can cope with this, the plague will get both their houses and there will emerge producers and employees who will work under methods that are consistent with the financial realities of the business. It's very clear that the way Hollywood has been doing business with the unions and with itself, in large measure, doesn't make any sense today. You know, trying to stuff nine people in a lifeboat that can only support five often only results in nine dead people.

Sharing Blame

There is no one villain in the piece. It would be easy if we could blame the unions for everything. It's not fair. It would be easy if we could blame the network for everything. That's not fair, either. It would be easy if we could blame the studios and their inefficiencies, and that's not fair. The television industry must be restructured in so many ways that one hardly knows where to start, and the problems of collective bargaining—that's just one of the ways.

Foreign Sales

The foreign market at the moment for MCA means another place to try to recoup losses. I, regrettably, have to tell you that it does not mean a place to make big profits. American products are radically underpriced in the foreign markets. Studios, independents and talent must find a way to get more money for our product outside the United States. Believe me, that would be a much more constructive process than having strikes over who divides the meager pickings. If the writers spent their energies not negotiating for more money from the foreign pot, but tried to figure out with the producers how we get a bigger pot, we'd all be smarter and more successful.

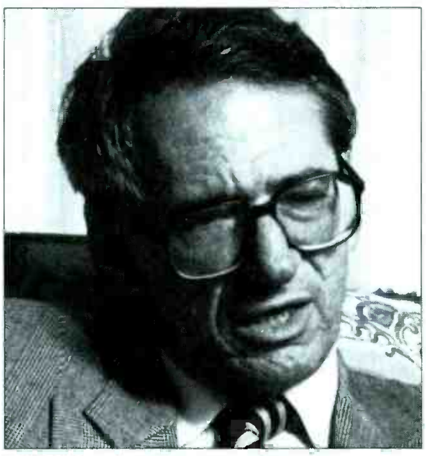
Coming Studio Mergers

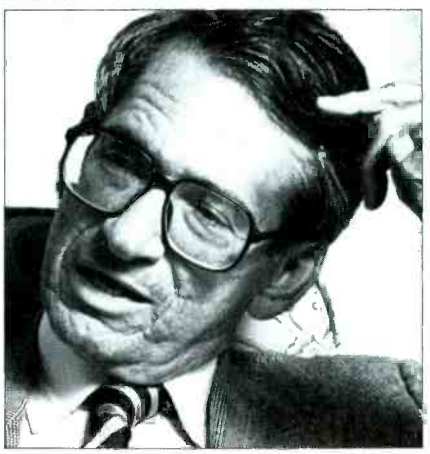
I am a believer that there will be more and more consolidations. Now, whether these consolidations will come by merger or combination and, if so, who with whom or how, I can't tell you. But I will tell you that the constraints of cost that we're facing, let alone the power blocs that we're facing, suggest to me that the future is going to go on for those who are the largest, the most powerful and the most efficient. And what that means in the case of any given company, I wouldn't speculate on.

Japan and Hollywood

I suspect the Japanese will play a role [in studio mergers]. It's a reality that there are countries that have currencies which may be, in their minds, overpriced. When that happens, there's a traditional route: They initially get themselves involved in [foreign] monetary instruments; they then move themselves away from monetary instruments into real property; and, sooner or later, they move from real property into investments in the infrastructure of foreign businesses. I think we are probably moving from phase two into phase three. And, I would suspect, you'll find some Japanese companies that will look at the entertainment business as a business that will strike their fancy. Now

'We are in a business undergoing radical restructuring. If there isn't leadership on the part of producers and unions, the plague will get both their houses.'





AMY ETRA

whether it's movies or publishing or exhibition, music, I don't know exactly, but I suspect you will continue to find not only from the Japanese but from other harder-currency countries at the moment, involvements in our industry.

Relations with Disney

I think that there are individuals at the Disney organization whose behavior, we believe, is not at the standard of behavior that we expect of our colleagues in the industries in which we operate. But, corporately, we have the highest regard for the business that Walt Disney built and there are many fine people who work for the Disney organization. There are points of contact that we have with the Disney organization that are to our advantage and to theirs. So I don't think it's fair or accurate to use a wide paintbrush to characterize our problems.

Do we have certain problems affecting certain activities with certain people in high places at Disney? Obviously the answer is yes. Are these problems likely to disappear soon? The answer is no.

Syndex and Compulsory License

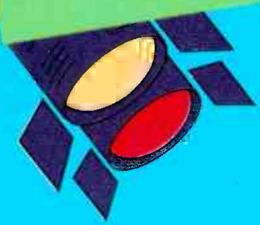
Philosophically and theoretically, I have to be opposed to the compulsory license, and if there is no compulsory license, then I imagine that the issue of syndicated exclusivity would probably disappear. I think the reimposition of the syndicated-exclusivity rule is proper and appropriate and, not only that, but the compulsory license should be eliminated in its totality; however, in the real world that is changing as fast as it is, I'm not convinced the issue is of the kind of significance that I may have thought it was a few years ago. I simply don't think syndicated exclusivity is the kind of issue today that it was at some point in the past. I really don't know that local TV stations themselves feel they've been hurt that much by it or that syndicators feel that their sales to local stations have been hurt that much.

Effects on Superstations

WWOR is not a superstation in the sense of a superstation of choice, such as WTBS. WWOR has always perceived of itself, under MCA's ownership, as serving the interests of New Jersey and the New York-New Jersey, nearby Connecticut and Pennsylvania areas. As far as WTBS is concerned, that's a different kettle of fish. WTBS bills itself as the world's greatest station, as a superstation. They will obviously have to do one of two things: either buy national rights or cease being a broadcaster and become a cable network entirely. ●

RUNNING THE NUMBERS

Straying from the Network Pack



There's no denying the remarkable sameness among the three major network evening newscasts, but there are also deviations, as revealed in a close analysis of the past season (September through April) by Andrew Tyndall, a New York journalist and former NBC News consultant. Tyndall monitors the newscasts and analyzes them in a monthly subscription newsletter, *The Tyndall Report.*

	ABC World News Tonight	CBS Evening News	NBC Nightly News
Average length of items (seconds)			
Taped news reports	119	133	140
Taped feature reports	177	162	184
Anchor copy only	16	18	18
Anchor voiceover tape	21	26	30
Average number of items in a broadcast			
Total items	15.7	16.1	16.2
In-depth items with reporter	8.1	7.8	7.1
Brief items without reporter	7.6	8.3	9.2
Source of taped reports (average number in one broadcast)			
Washington bureau	2.6	2.1	1.9
Other domestic bureaus	3.2	3.7	2.8
Foreign bureaus	2.0	1.7	1.5
Time spent on top 10 stories (minutes in eight months)			
Total, top 10 stories	1081	931	965
Palestinian uprising	194	165	155
Contra war cease-fire plans	130	108	143
Persian Gulf tanker war	140	116	98
Panama power struggle	118	118	110
Reagan-Gorbachev D.C. summit	116	100	126
New York Stock Exchange action	126	98	101
Bork Supreme Court nomination	85	74	82
Federal budget deficit talks	58	58	54
Pope visits America	63	46	55
INF arms control treaty	51	48	41
Coverage of major news areas (minutes)			
Economy, business, finance	330	370	336
Crime, law enforcement	107	194	146
Health, medicine	113	123	149
Race, immigration	100	116	127
Sports	125	106	104
Religion	132	99	98
Arts, show business	78	90	94
Illegal drugs	54	97	89
Education	53	47	64
Politics: Presidential race	425	507	459
Politics: Iran-Contra affair	30	104	67

Correspondents' taped reports took 85% (NBC) to 89% (ABC) of the newscasts' substantive time. Taped news reports typically run two minutes and features run three minutes.

NBC has refocused its newscast on anchor Tom Brokaw, who reads more and longer voiceovers than do the other anchors.

ABC concentrates its time on the top stories and, on average each month, spent 23% more time on the month's top story than CBS did. Only in February did CBS spend the most—on the New Hampshire primary.

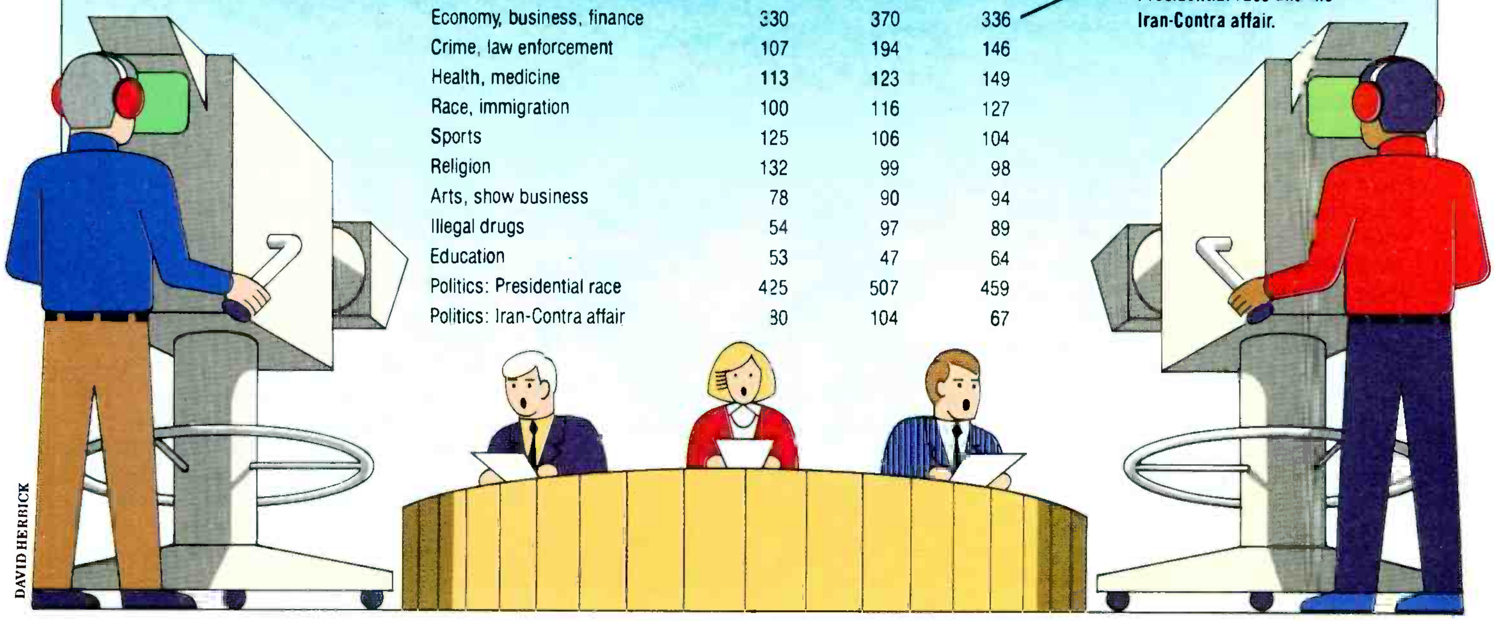
NBC carries fewer but longer taped reports, ABC more but shorter. The CBS format falls in between.

ABC justifies its *World News Tonight* title by making frequent use of foreign bureaus. When a major story comes out of the Middle East, the network provides especially heavy coverage.

With its top-story emphasis, ABC spent the most time on the stock market story (in October, ABC gave it 82 minutes, NBC 69 minutes and CBS 57 minutes).

But CBS generally gives the most time to stories about the economy as well as crime, drugs, the Presidential race and the Iran-Contra affair.

Source: ADT Research, 135 Rivington St., New York, N.Y. 10002



DAVID HERBICK

The Best
Celebrating
100 Years

TV GUIDE

Let your Guide be your conscience.

Cheers

"To Cinemax, for making good on its promise to bring cable subscribers more and more movies. Last March, the cable channel presented 165 movies, the most ever shown in one month by a pay-TV service, according to The Pay TV Newsletter. And from April 1987 to March 1988, Cinemax averaged far and away more movies than any other pay-TV network: 112 movies a month, up from 90 the previous year. We applaud the channel's cinematic cornucopia."

TV Guide
May 28, 1988

cinemax®

More movies. More choice.