

In Focus: What's Driving Cable

CHANNELS

MAY

THE BUSINESS OF COMMUNICATIONS

1988

Redstone's Arsenal

With a stockpile of high-powered assets, Viacom's new management team is mapping a synchronized assault on the programming battlefield. But the company's enormous debt poses a threat that may foil its plans.

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Viacom's Sumner Redstone

ME TIME FOR BEST GAME SHOW.

We're the season's #1 new show in first-run syndication. The only successful new adult strip on TV. When it comes to reaching prime demos in prime access, WIN, LOSE OR DRAW is the only game in town.

In market after market, WIN, LOSE OR DRAW's fast-paced celebrity fun is #1 in every key demo. Outdelivering WHEEL OF FORTUNE, JEOPARDY and ENTERTAINMENT TONIGHT in young adults, teens and kids.

All across the country, in large markets and small, stations playing WIN, LOSE OR DRAW are the season's big winners.



**WIN,
LOSE
OR DRAW**

WIN, LOSE OR DRAW STRENGTH IN SITCOM DEMOS

MARKET	STATION	M-F TIME	W 18-34	W 18-49	M 18-34	M 18-49
ATLANTA (N)	WAGA	7:30P	# 1	# 1	# 2	# 2
BALTIMORE (N)	WBAL	7:30P	# 1	# 3	# 1	# 3
BLUEFIELD (N)	WOAY	7:30P	# 1	# 1	# 1	# 1
CHARLESTON (N)	WCIV	7:30P	# 2	# 1	# 2	# 2
CHATTANOOGA (N)	WDEF	7:30P	# 1	# 1	# 1	# 1
CINCINNATI (N)	WKRC	7:00P	# 1	# 1	# 1	# 2
COLUMBUS (N)	WCMH	7:00P	# 1	# 1	# 1	# 1
GRAND RAPIDS (A)	WWMT	7:30P	# 1	# 1	# 1	# 1
GREENVILLE (A)	WSPA	7:30P	# 1	# 1	# 3	# 2
HARLINGEN (N)	KGBT	6:30P	# 1	# 1	# 1	# 1
INDIANAPOLIS (N)	WRTV	7:30P	# 1	# 1	# 1	# 1
JACKSONVILLE (N)	WTLV	7:30P	# 1	# 1	# 1	# 1
LEXINGTON (N)	WKYT	7:30P	# 1	# 1	# 1	# 1
LITTLE ROCK (A)	KARK	6:30P	# 1	# 1	# 1	# 2
LUBBOCK (N)	KCBD	6:30P	# 1	# 1	# 1	# 1
NASHVILLE (N)	WTVF	6:30P	# 1	# 1	# 1	# 1
NORFOLK (N)	WTKR	7:30P	# 1	# 1	# 1	# 2
OKLAHOMA CITY (N)	KTVY	6:30P	# 1	# 1	# 1	# 1
PITTSBURGH (N)	WTAE	7:30P	# 1	# 1	# 1	# 1
PORTLAND (N)	KATU	7:00P	# 1	# 1	# 2	# 2
RICHMOND (A)	WTVR	7:30P	# 1	# 1	# 1	# 1
ROANOKE (N)	WLSL	7:30P	# 1	# 1	# 1	# 2
SAN DIEGO (N)	KGTV	7:30P	# 1	# 1	# 1	# 1
SPRINGFIELD, MA (N)	WGGB	7:00P	# 1	# 1	# 1	# 2
TAMPA (N)	WTSP	7:00P	# 1	# 1	# 2	# 2
TOPEKA (A)	WIBW	6:30P	# 1	# 1	# 1	# 1
TRAVERSE CITY (A)	WPBN	7:30P	# 1	# 1	# 2	# 1
TUCSON (N)	KOLD	6:30P	# 1	# 1	# 1	# 2
TULSA (N)	KOTV	6:30P	# 1	# 1	# 1	# 1
WICHITA FALLS (A)	KSWO	6:30P	# 1	# 2	# 1	# 1
WILKES BARRE (A)	WNEP	7:30P	# 1	# 1	# 1	# 1

SOURCE: NSI/ARB 2/88



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ACCESS IS PRIME AMERICA'S HOTTEST

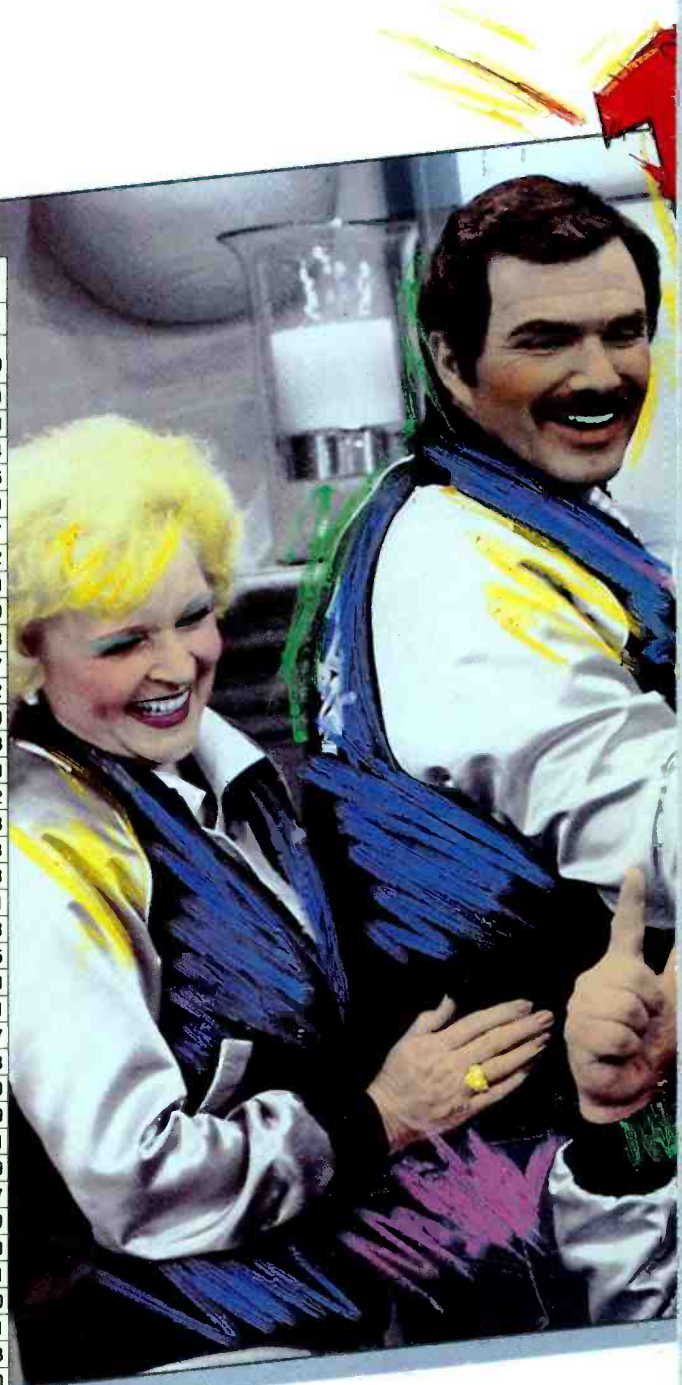
The numbers speak for themselves. WIN, LOSE OR DRAW is the biggest prime access hit in years. It's the game show that dominates the competition, because it plays like a sitcom.

The November sweeps proved that WIN, LOSE OR DRAW transforms access into pure gold. Now February's numbers are *even better*: WIN, LOSE OR DRAW captures the top demos, delivering incredible ratings and demo increases against all groups in prime access. That's where it beats HOLLYWOOD SQUARES, THE NEWLYWED GAME, JEOPARDY, and WHEEL OF FORTUNE at their own game.

WIN, LOSE OR DRAW TIME PERIOD TRANSFORMATION

MARKET	STATION	M-F TIME	FEB 1987 T.P. PROGRAM	% CHANGE FROM FEB 1987					
				RTG	SH	W 18-34	W 18-49	M 18-34	M 18-49
AUGUSTA (A)	WAGT	7:00P	NEWLYWED GAME	+ 20	+ 13	+ 20	+ 25	+ 40	+ 29
BIRMINGHAM (N)	WBMG	6:00P	\$100,000 PYRAMID	+ 25	+ 50	+133	+114	+200	+180
CHARLESTON (N)	WCIV	7:30P	FALL GUY	+144	+138	+150	+275	+ 38	+ 64
CHATTANOOGA (N)	WDEF	7:30P	ENT. TONIGHT	+114	+109	+533	+288	+175	+186
CINCINNATI (N)	WKRC	7:00P	NEWS	N/C	+ 14	+180	+137	+113	+ 59
COLUMBUS, OH (N)	WCMH	7:00P	JUDGE	+111	+100	+210	+152	+175	+167
DETROIT (N)	WJBK	7:30P	SUPERIOR COURT	+ 50	+ 67	+155	+145	+ 57	+ 72
ELMIRA (A)	WENY	7:30P	ENT. TONIGHT	+300	+333	+300	+500	+300	+300
FLINT (A)	WEYI	7:30P	NEWLYWED GAME	+ 50	+ 57	+129	+167	+125	+160
FT. MYERS (N)	WEVU	7:00P	WKRP	+167	+160	+100	+100	+ 33	+133
FT. WAYNE (N)	WKJG	7:00P	NEWLYWED GAME	+ 25	+ 21	+ 80	+ 56	+ 75	+ 67
GRAND RAPIDS (N)	WWMT	7:30P	HOLLYWOOD SQUARES	+ 22	+ 19	+110	+ 86	+ 18	+ 32
GREENVILLE (N)	WNCT	7:30P	ENT. TONIGHT	+ 25	+ 25	+ 33	+ 29	+ 17	+ 50
GREENVILLE (A)	WSPA	7:30P	ENT. TONIGHT	+ 18	+ 5	+ 28	+ 24	- 42	- 3
HARTFORD (N)	WVIT	7:00P	\$100,000 PYRAMID	+ 33	+ 33	+133	+211	+125	+100
HONOLULU (N)	KITV	6:30P	FACTS OF LIFE	+ 33	+ 43	+ 58	+ 67	+ 86	+ 82
INDIANAPOLIS (N)	WRTV	7:30P	ENT. TONIGHT	+100	+108	+200	+142	+100	+108
JACKSONVILLE (N)	WTLV	7:30P	NEWLYWED GAME	N/C	+ 6	+ 41	+ 27	+ 17	+ 33
LUBBOCK (N)	KCBD	6:30P	NEWLYWED GAME	+ 40	+ 41	+ 25	+ 38	+100	+ 43
NASHVILLE (N)	WTVF	6:30P	CARD SHARKS	+ 33	+ 36	+113	+ 70	+133	+121
NORFOLK (N)	WTKR	7:30P	DATING GAME	+ 40	+ 38	+ 45	+ 48	+ 46	+ 68
ODESSA (A)	KTPX	6:30P	DATING GAME	+120	+138	+133	+100	N/C	+ 25
OKLAHOMA CITY (N)	KTVY	6:30P	PM MAGAZINE	+ 80	+ 81	+338	+163	+150	+110
ORLANDO (A)	WCPX	7:30P	DATING GAME	+ 38	+ 42	+ 32	+ 28	+ 33	+ 21
PADUCAH (N)	WSIL	6:00P	\$100,000 PYRAMID	+100	+ 71	+150	+114	+ 40	+ 67
PHILADELPHIA (N)	WCAU	7:00P	ENT. TONIGHT	- 12	- 15	+ 61	+ 38	+ 63	+ 33
PITTSBURGH (N)	WTAE	7:30P	HOLLYWOOD SQUARES	+ 31	+ 33	+ 81	+ 78	+ 50	+ 29
PORTLAND, OR (A)	KATU	7:00P	\$100,000 PYRAMID	+120	+125	+140	+129	+283	+200
ROANOKE (N)	WLSL	7:30P	HOLLYWOOD SQUARES	+ 40	+ 47	+ 60	+ 88	+ 56	+ 71
ROCHESTER (A)	WOKR	7:00P	GIMME A BREAK	+ 67	+ 70	+ 13	+ 42	N/C	+ 10
SAN DIEGO (N)	KGTV	7:30P	ENT. TONIGHT	+100	+100	+162	+133	+163	+167
SPRINGFIELD, MA (A)	WGGB	7:00P	HOLLYWOOD SQUARES	+ 83	+ 64	+ 80	+100	+100	+150
TAMPA (N)	WTSP	7:00P	ABC NEWS	- 10	- 19	+ 94	+ 96	+ 82	+ 70
TOPEKA (N)	WIBW	6:30P	NEWLYWED GAME	N/C	+ 4	+175	+ 88	+100	+ 71
TRAVERSE CITY (A)	WPBN	7:30P	DATING GAME	+ 27	+ 22	+ 40	+ 22	+ 67	+ 50
TRI-CITIES (N)	WJHL	7:00P	NEWLYWED GAME	+ 50	+ 44	+ 42	+ 58	+ 29	+ 31
TUCSON (N)	KOLD	6:30P	HOLLYWOOD SQUARES	- 20	- 18	+ 57	+ 45	+ 75	+ 38
TULSA (A)	KOTV	6:30P	NEWLYWED GAME	+ 64	+ 65	+115	+105	+ 43	+ 80
WICHITA FALLS (A)	KSWO	6:30P	ENT. TONIGHT	+100	+111	+100	+117	+ 67	+ 80
WILKES BARRE (N)	WNBP	7:30P	ENT. TONIGHT	+122	+114	+175	+178	+ 67	+ 94

SOURCE: NSI/ARB 2/87, 2/88





**WIN, LOSE
OR DRAW
DOES A
FEBRUARY
NUMBER
ON THE
COMPETITION.**

CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 8, NO. 5

MAY 1988



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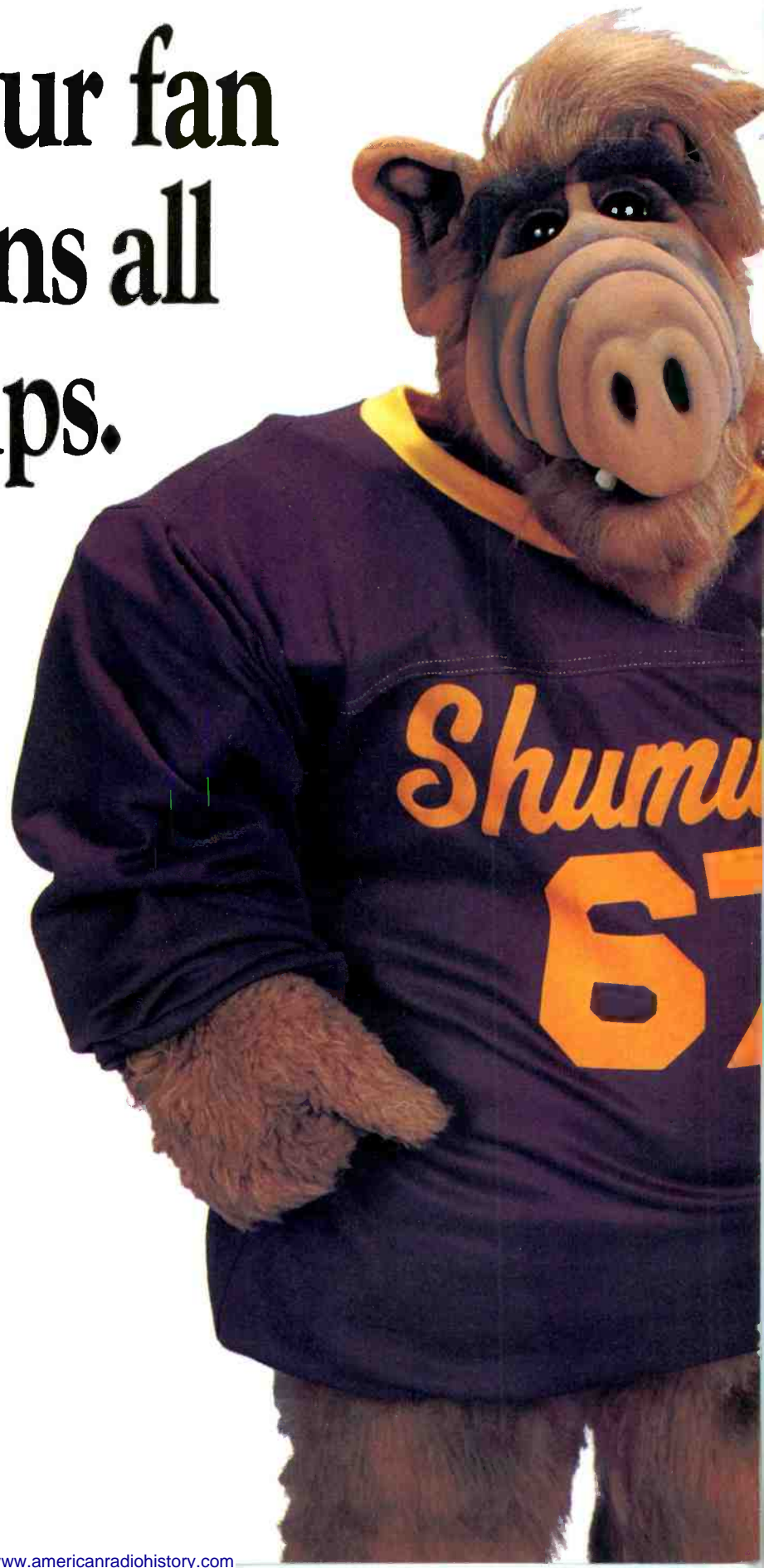
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Q: Your fan club spans all age groups.



ALF: Yes. It ranges
from young people in
their childhood to
older people in
their adultery.



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CHANNELS
THE BUSINESS OF COMMUNICATIONS

Blurring the Boundaries

As *Channels* editor Merrill Brown observed in a recent "Business Side" column: "The 1987-88 television season will be remembered as revolutionary for the breathtaking speed with which the programming landscape changed. Alternatives in the form of independents, cable and home video have eroded the network audience with breakneck speed . . . The entire flow of television programming and development has changed, seemingly overnight."

As we approach mid-year, let's look at some recent major developments. Cable penetration has now crossed the 50 percent threshold, cable networks have become launching pads for important syndicated programs and syndicators now view cable as a viable outlet for major off-network product. Interestingly, in the not-too-distant past, broadcasters and local cable operators rarely interacted. Today, they're forging new alliances. In this month's "Market Eye," senior editor Kirsten Beck outlines how a Louisville ABC affiliate preempted network programming to air a package of cable fare. Meanwhile, as cable systems juggle channel lineups, many broadcasters are promoting their cable-channel positioning as aggressively as their VHF or UHF frequency.

Here at *Channels*, we've long believed that the television industry would increasingly move from the fragmented enterprise it was in the '60s and '70s to a more unified business. Over the past two years as we've been building *Channels*, we've noticed a growing acceptance among professionals in the field of the notion that this is *one* profession. After all, no matter which part of the business you're in, *all* players are seeking the *same* viewers. For sure, each segment of the industry has opportunities and problems unique to its niche. The problems of minimizing subscriber churn at pay networks and selling ad avails on basic networks are fundamentally different strategic issues, even though *both* services are after attention-grabbing programming.

At *Channels*, we've positioned ourselves as the business magazine for television professionals, working to serve the information needs of local broadcasters and cable operators, of national over-the-air and satellite-delivered cable networks, and of programmers for all distribution vehicles. *Channels* covers the television industry in a way that keeps all of our constituencies informed. Our stories in this issue, for instance, about cable's future should be of interest to all broadcasters who are working both in competition and in cooperation with cable operators.

Over the next year, I hope we'll be at the center of the debate about the industry's future. Let us know whether we're helping you think through a compelling and confusing time in the industry. That's what we're all about—helping television professionals succeed at their chosen craft.

Jul A. Berger

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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 5, May 1988. Copyright © 1988 by C.C. Publishing Inc. All rights reserved. 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.



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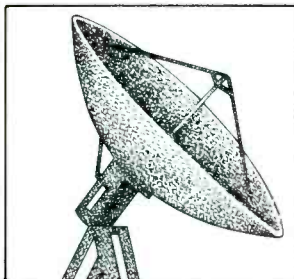
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LETTERS

MORE FIELD GUIDE FEEDBACK

I just had to write to let you know what a great service you provide with a document such as the Field Guide [December 1987]. My bet is that you have the greatest circulation of any media publication to the business editors, television reporters and general consumer-lifestyle reporters around the country. I found myself reading, not skimming, 90 percent of the articles. And, as always, the superb charts and graphs get clipped for insertion into my growing files library. I regret not having contacted you sooner to let you know how valuable your outstanding work is to me and other key executives at Group W. I hope someday the print equivalent of people meters will rate the media trades. My guess is that your VPH's, your "office" income demos and any qualitative test of memorability and value will confirm my views.

Harlan J. Rosenzweig
*Executive Vice President
Television Group, Group W
New York, N.Y.*

ON THE UPSWING

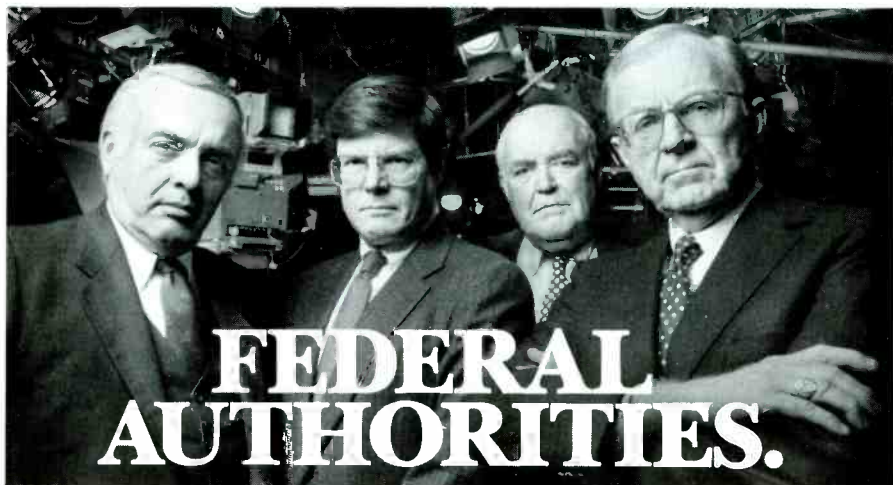
In response to the article by Jean Grillo ["The Cautious Survivors," January 1988], the 11 TV stations owned by HSN Silver King Broadcasting are in fact "chasing after advertising." Each one of our owned and operated stations has a sales staff which sells not only the local station but acts as a shop rep for our entire division. If the author had called just one of our stations, the facts could have been presented more accurately.

Since our sales effort began about a year ago, the monthly spot billing revenue of all our stations has been steadily increasing. While network numbers are shrinking, our numbers (club members) are increasing rapidly.

Richard L. Wexler
*Vice President and Director of Sales
HSN Silver King
Broadcasting Co. Inc.
Newark, N.J.*

WOMEN IN TELEVISION

Terrific article ["Women in Television: An Uphill Battle," January '88 issue!] Enlightening, informative and marvelously



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researched. It will be a dog-eared reference work by the time I'm done with it. Brava!

Mary Alice Williams
*Vice President, Cable News Network
New York, N.Y.*

ME? FIT AND TRIM?

Thank you for your interest in CEA, as exhibited by the recent "The Hunt Is On" article [February 1988]. Harvey Shapiro did an excellent job!

My favorite observation was that of my wife, who is always quick to point out inaccuracies, when she noted Harvey's characterization of me as a "fit and trim 43-year-old,"—"Harvey must have done this as a telephone interview!"

J. Patrick Michaels
*CEO, Communications
Equity Associates
Tampa, Fla.*

CHECK YOUR SOURCE

Mel Harris, president of Paramount Television Group and a director of the USA cable network, stated erroneously that "when you look at circulation as a percentage of the homes you reach, USA is head-and-shoulders above everyone else in cable. Only about four out of every ten homes that subscribe to ESPN ever watch it." [Sound Bites, February '88.]

Mr. Harris has made similar statements over the year on panels and in interviews. He needs an update in research unless his source (which he never cites) is one other than the A.C. Nielsen Co.—the industry standard.

According to the latest Nielsen estimates, ESPN is seen in *seven* of ten ESPN homes—or 70 percent of over 45 million homes—each month. That means 31.5 million homes watch ESPN. Mr. Harris says that USA "has a circulation that's in the 50s," which would mean that 50 percent of USA's 41.6 million homes—or slightly more than 20 million homes—watch USA every month. Here we agree. Hardly "head-and-shoulders above everyone else in cable" is USA, Mel!

J. William Grimes
*President & CEO, ESPN Inc.
New York, N.Y.*

.....

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

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CHANNELS

The Business Magazine for Television Professionals



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**American Television and
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Cox Communications, Inc.

Home Box Office, Inc.

NewChannels Corp.

United Cable Television Corporation

Warner Cable Communications Inc.

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*The undersigned provided primary investment capital to the company.
It also initiated, structured and negotiated this transaction
and continues as an investor in Movietime Channel, Inc.*

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March 8, 1988



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FRIDAY 5/27

9:00AM French Open Tennis Championship

7:30PM Arena Football

10:00PM Top Rank Boxing



SUNDAY 5/29

3:20PM Formula One—Grand Prix of Mexico

8:00PM NCAA Baseball Regional Final

MONDAY 5/30

9:00AM French Open

Tennis Championship

2:00PM IMSA GTP Lime Rock Park

5:00PM Jersey Derby Thoroughbred Racing



Scheduled as of 3/17/88 ALL TIMES EASTERN

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When it comes to quality sports programming, ESPN is top-of-the-line.

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From Pia to Prime Time: Meshulam Riklis Enters Station Business

Can deep pockets do for a UHF what it did for Pia Zadora?



Riklis and Zadora: 'Not another wheezing, tacky UHF station that grinds out old syndication fodder.'

None can accuse Meshulam (Rik) Riklis of timidity. First, the Israeli immigrant parlayed a \$25,000 investment into a \$3.5 billion (sales) empire, run largely through his family-owned Rapid-American Corp. Then, after marrying a singer not even half his age, he showcased her in multi-million-dollar movies, making Pia Zadora a well-known name.

Now Riklis, 64, appears to have similar plans for television, beginning with an obscure, underperforming Oxnard, California UHF station and little more than a permit for another in his back pocket. Sources indicate that if the California broadcasting venture succeeds, Riklis may commit millions of dollars to launching a media company that could expand into radio stations, newspapers and magazines.

To his already established P.Z. Entertainment Partnership, L.P.—a movie-production, recording and fast-food restaurant company—Riklis recently added a station division and shelled out

\$5.5 million for Oxnard's KTIE-TV, which had lost \$1 million in each of the two years it had been on the air. He renamed it after his daughter, Kady, and brought in management determined to transform the struggling independent into the "WKRP of television," says Riklis Broadcasting president John Huddy.

Riklis' plans call for spending some \$7.5 million to upgrade KADY's programming and production facilities in the next three years. He already spent more than \$500,000 of the \$7.5 million at this year's NATPE convention, going home with Fox's *Small Wonder* and *9 to 5*, Lorimar-Telepictures' *It's a Living* and such movies as *Ghoulies* and *Dirty Dancing*. In all, says Huddy, KADY bought more than 500 films and 12 TV shows. Although Riklis is a part owner of *G.L.O.W.* (Gorgeous Ladies of Wrestling), it's not certain whether the station will air the show, says general manager Peter Leone. But there will be horror movies: In an effort to publicize

them, the station hired 20 Draculas to pass out free popcorn and flyers at shopping malls. "We don't want to be another wheezing, tacky UHF station that grinds out old syndication fodder," says Huddy. "We'll think big and we'll win big."

Even Riklis and Zadora are pitching in. They cut the ribbon at the station's relaunching during an ad-free weekend in February, when KADY reintroduced itself to the agricultural and light-industrial community located 62 miles northwest of Los Angeles.

Carving a local niche, some say, appears to be a smart move for a station that is part of the country's second-largest ADI, Los Angeles, a market that already has four unusually strong VHF independents and three affiliates. "What can a station in Oxnard offer an L.A. market that isn't already being offered?" asks Steve Bell, senior v.p. and general manager of Tribune's KTLA in Los Angeles.

But in its own backyard, KADY is fighting tough. Despite the demise of the must-carry rule, which would have required cable operators to carry all local stations, Riklis has succeeded in getting KADY on eight local systems, including Comcast and Jones Inter-cable. The area's 82 percent cable penetration rate gives Riklis access to 285,000 cable households, but it also means he's competing with CNN, Nickelodeon, USA Network and others that are part of the basic packages. "KADY has a fight ahead," confirms Sandra Benton, v.p. and general manager of KEYT-TV in Santa Barbara.

Undeterred, though, Riklis has snapped up the UHF construction permit for KBBL-TV in Big Bear Lake, a fishing and skiing community 100 miles northeast of Los Angeles, for \$225,000. But despite the money he's investing, some question his long-term commitment to broadcasting, starting with KADY. "Maybe it's his toy," wonders Bell.

Nevertheless, the move into media seems to have Riklis' personal backing. He has a new son, Kristofer, and although the call letters "KRIS" are already taken by a Corpus Christi station, one source says Big Bear Lake may soon be introduced to "KRY5." No word yet, though, on any Pia Zadora movie marathons.

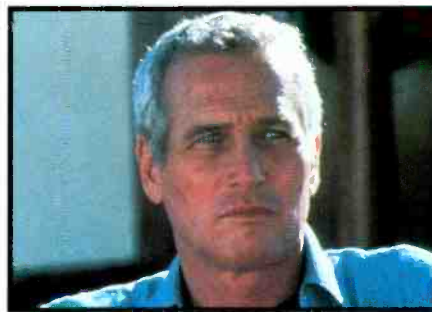
RHODA FUKUSHIMA

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Cosby and Black Artists: Is Exposure Enough?

.....
 Their work livens the sets, but their credits can't be found.

It is a mixed blessing: Some of the nation's most prominent black artists provide the paintings for the set of *The Cosby Show*. Yet like black artists throughout history, they're given less than due credit, and little or no money.

Look around the Huxtable household and you'll see, at the behest of The Coz himself, reproductions of original works by such black painters as Oliver Johnson, Varnette Honeywood and the late Ellis Wilson. Yet unlike the commercial illustrators who usually fulfill such needs, these gallery-quality painters usually receive no fee, and get no listing in the end-credits.

"That's the policy," explains *Cosby* production designer Garvin Eddy. "The artist either loans us his or her work and allows us to photograph and copy it, or sells us an inexpensive print. We can't afford either originals or the insurance for them." As for the lack of on-screen credit, says Eddy, "Bill's and my feeling is that in exchange for the art, we're giving them exposure. If people like the stuff, they'll find out who painted it."

Brenda Joysmith, whose chiaroscuro *Madonna* graces the living-room set, isn't sure that's so. The exposure, she says, "has been incredibly helpful," but "the mass audience doesn't know my work." She concedes that, "I'd love to have credit," but doesn't want to push.

Not so Lorraine Foxworth, an agent for many of the artists whose work is used: "I've been fighting for credit," she says. "If they have 15 artists, if they have 30 artists, they still should get credit. Even p.a.'s get credit." Her efforts have met with results elsewhere: Honeywood, she says, is receiving credit for his artwork on Jimmy Walker's syndicated series.

The Cosby Show's no-credit policy doesn't originate with NBC, says a network spokesperson. "NBC doesn't tell



Overlooking Bill Cosby and director Jay Sandrich is Ellis Wilson's painting, *Funeral Procession*.

people what to put on their end-credits. That's the production company's decision." But, replies Caryn Mandabach, president of Carsey-Werner and *Cosby's* supervising executive, NBC only allows thirty seconds for the scroll: "That's not enough time to credit everybody." In any case, she says, a Carsey-Werner staffer named Kim Tinsley now responds to viewer

requests for information about the paintings.

"Mr. Cosby's conscientious determination to help black artists brought a consciousness that wasn't there before," notes Foxworth gratefully. No question that everyone's heart is in the right place, and that's good. So is giving cash or credit where cash or credit is due.

FRANK LOVECE

Home Shopping Network: The Deals Are Done, Now Make it Work

.....
 After disappointing Wall Street once, is HSN poised to please?

Forget about velour pantsuits. Nando DiFilippo Jr., exec. v.p. and general counsel of Home Shopping Network Inc., is explaining his company's purchase of Mistix Corp., a marketer of computerized reservation and ticketing systems: "We put a number on the screen and say, Call if you want tickets to the Springsteen concert in San Diego. Mistix can get those tickets into your hands. So it's an important part of our approach."

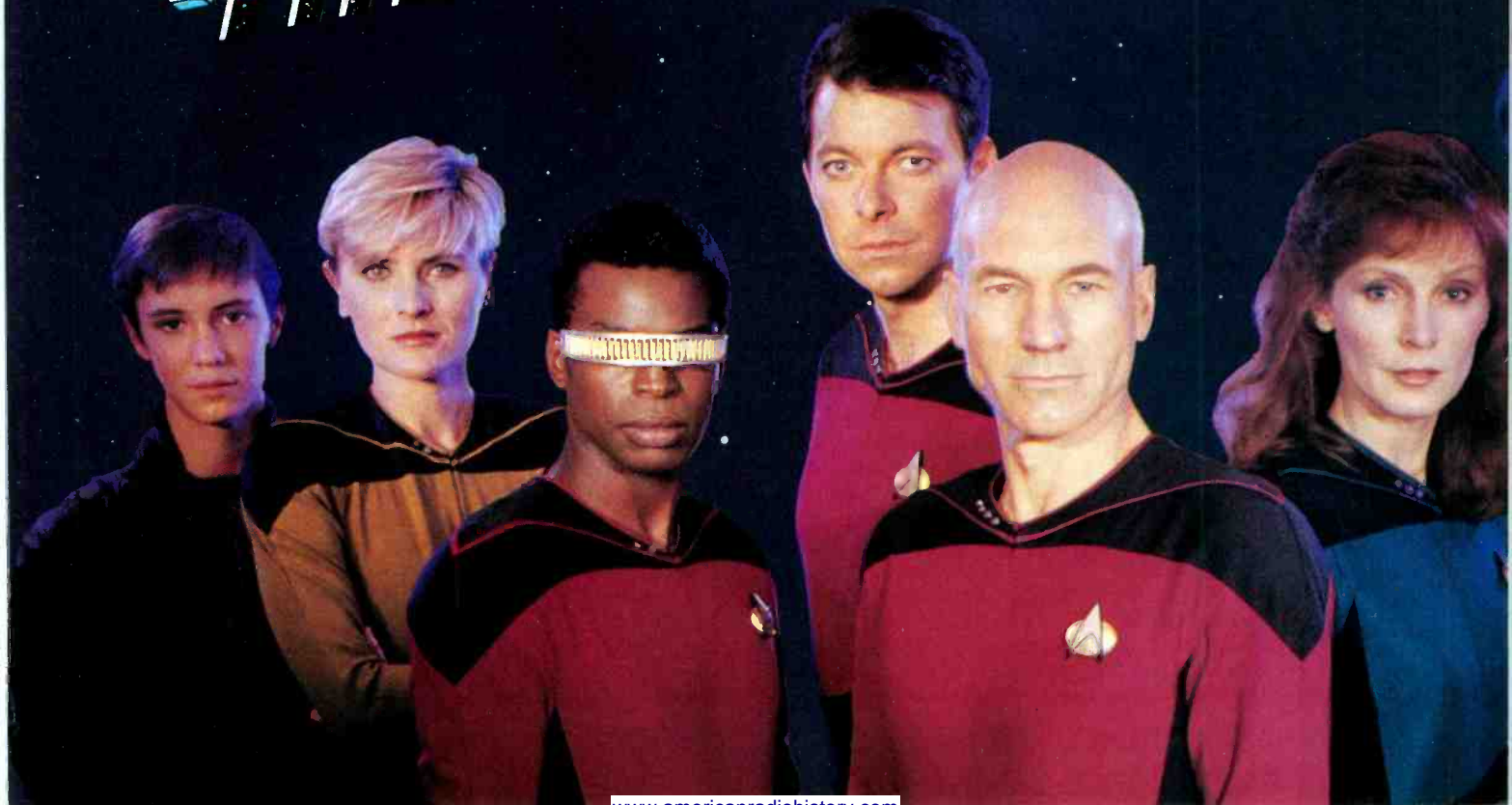
Although it started out remaindering odd-lots on cable TV, HSN's aggressive acquisition program has made it a supplier as well. HSN this spring picked up The Signature Group, marketers of insurance products and consumer clubs.

There are also pharmaceuticals, cosmetics and financial-services divisions plus a mail-order company. Last September it moved into a new, 188,000 square foot studio and office center with equipment to handle more than 22,000 phone orders an hour.

Yet it has won few friends on Wall Street. Typical of HSN's trek: In March, after a meeting between analysts and CEO Roy Speer to discuss company plans, HSN stock *fell* by more than a point.

DiFilippo blames HSN's troubles largely on telephone problems with carrier GTE that are now in litigation. But, he contends, "It's tough for the Street to evaluate us because we have a num-

STAR TREK THE NEXT GENERATION



STAR TREK: THE NEXT GENERATION IS STILL #1

"Star Trek: The Next Generation" continues to reign as the #1 first-run syndicated series on television: #1 with men across the board; #1 with women 18-34; #1 with teens, season-to-date.

And while it continues to beat every weekly series in these demos, "Star Trek: The Next Generation" is also outdelivering every strip program, including "Wheel" and "Jeopardy." "STAR TREK: THE NEXT GENERATION." THIS SEASON'S NEW HIT SERIES.



Source: NSS Pocketpiece, season average through Feb. '88 Sweeps
©1988 By Paramount Pictures Corporation. All rights reserved.

ber of different parts that have very significant potential value." HSN's UHF TV stations, for example, purchased or built in '86 and '87 for \$240 million, were recently valued at over \$600 million by Frazier Gross & Kadlec.

"We're like one of those Japanese trading companies," DiFilippo says. "We sell things. We sell whatever people will buy. We've got access—We've got this distribution system on cable and broadcast. So it's hard for the Street to understand us."

HSN may have enough talent to wipe away Wall Street's scowl. Sandra Freschi, a v.p. at Frazier Gross, admits she went into the HSN appraisal with "some of the negative perceptions of that company" in tow. But during the course of the project, she says, "What we found is, they have a visionary management team. Roy, [HSN president Lowell "Bud" Paxson] and Nando are really entrepreneurial."

DiFilippo acknowledges that HSN's "style and culture" have led to charges that it expanded too fast. But, he says, "We believe we have a competitive edge because we can make decisions quickly." These days in Clearwater, however, HSN's eyes are peering inward. "We need to make these businesses that we've purchased work," DiFilippo says. "We have to consolidate them and spend time bringing them into our system. That's the next stage."

JOHN FLINN



What does she sell? Whatever people will buy.

Aftermarket for News: The Networks Exploit Home Video

Can news operations turn a 'popcorn stand' into revenue?

They are an unlikely product—but perhaps the perfect one—for a nation of information junkies: videocassettes of yesterday's news. They represent, thus far, only a fraction of the home-video market, but the possibility of a profitable after-market for network news footage has resulted in recaps of everything from Oliver North's Senate testimony to the Calgary Olympics and the Vietnam War.

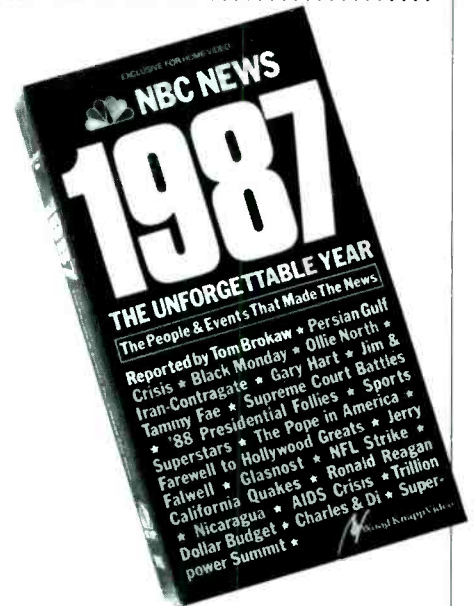
NBC, in association with Wood-Knapp Video, has sold more than 30,000 copies—at \$24.95 each—of its *1987: The Unforgettable Year*, a Tom Brokaw-hosted rehash culled from NBC News footage. ABC's 1984 summer Olympics highlight tape sold in excess of 125,000 copies at \$24.98 each.

The networks' motive in doing the tapes: PR and profit, although the latter has been minimal to date. "We'd like to make a little more than what the MBAs call 'a popcorn stand,'" says NBC News vice president Jo Mooring. "And we'd like to get our name out there in a way that reflects well on the overall news operation."

The other networks, as well as Cable News Network, seem to share that view: All four are now in the home-video business. ABC News released a three-hour news retrospective of 40 years of world history entitled *45/85*, a program that had aired originally on the network. ABC Sports has done a half dozen Olympic highlights tapes, the most recent one on Calgary having been put together in under two weeks as a joint venture with CBS/Fox Home Video.

NBC, although satisfied with partner Wood-Knapp, is planning its own Olympic highlight tape of this summer's Seoul Games, and is working on a line of news tapes under the heading "Foreign Assignment" that would utilize footage from the news division's foreign bureaus.

And while CBS hasn't done much in the way of recycling recent news events, it has been successfully selling such home video series as *World War II* and *The Vietnam War with Walter*



Wood-Knapp's '87 recap was good news for NBC.

Cronkite for several years.

CNN is preparing a retrospective entitled *The Reagan Years*, which taps CNN and Headline News archives. It will be released under the banner of Turner Home Entertainment (THE). "We've been looking for ways to create home-video value out of those TV opportunities," says THE vice president and general manager Steve Chamberlain. CNN also released a tape of Oliver North's Senate testimony, which it compiled from its own coverage and, by consent, from a pool of tape shot by the Big Three.

But it's apparently not necessary to actually own such footage in order to profit from it. A company called MPI Video simply taped North's testimony off the air and edited the gleanings into *Oliver North: Memo to History*, a 90-minute tape that has sold more than 50,000 copies. The networks are none too pleased about it but, as Turner's Chamberlain puts it, "Initiating legal action takes months and months, so we just decided to leave it alone."

MICHAEL BURGI

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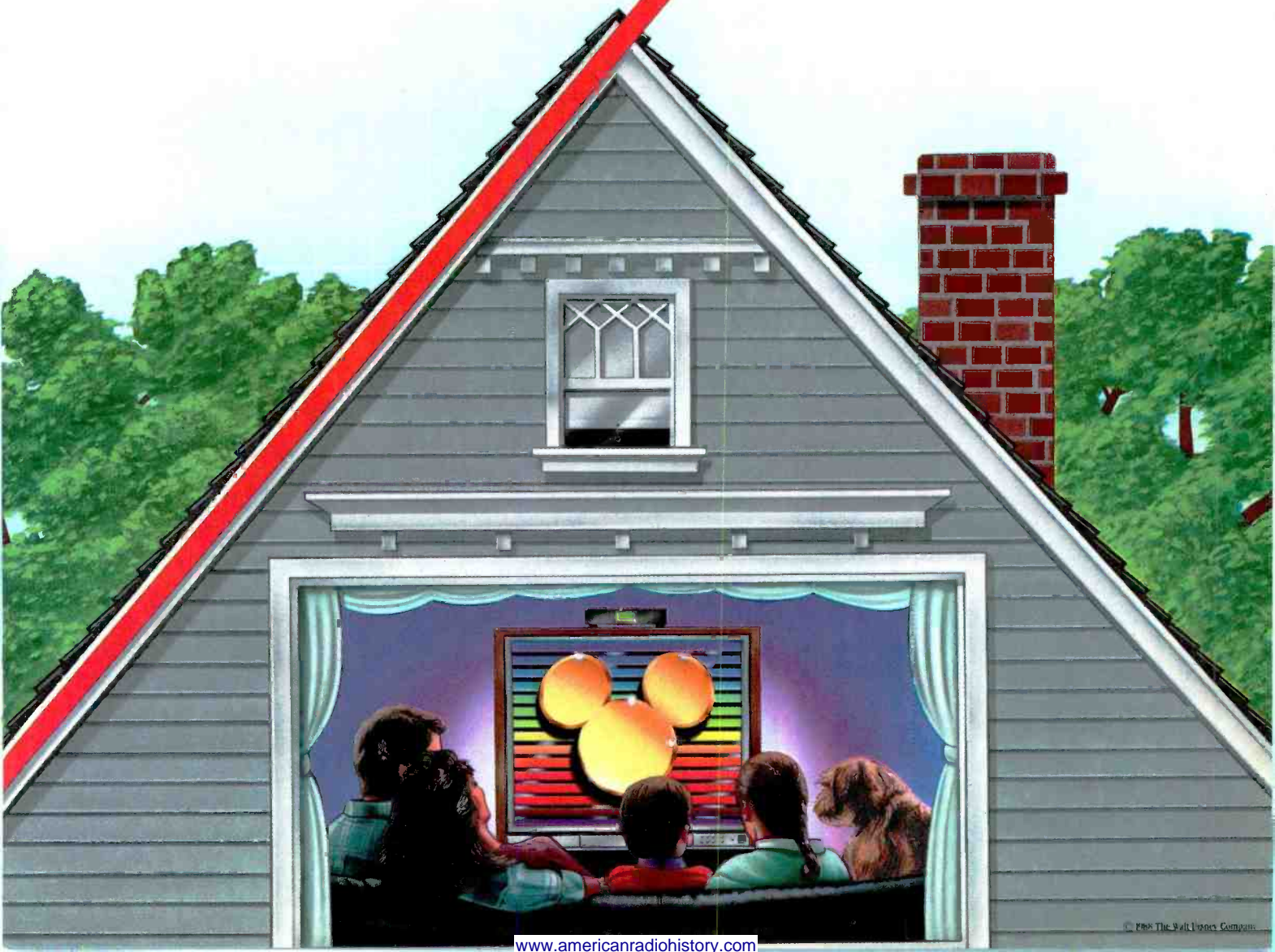
we're giving you even more ways to profit from The Disney Channel: low cost telemarketing, a proven price reduction program, sales incentive materials, powerful promotional partnerships and a variety of "off-the-shelf" programs all designed to make 1988 your most successful year ever.

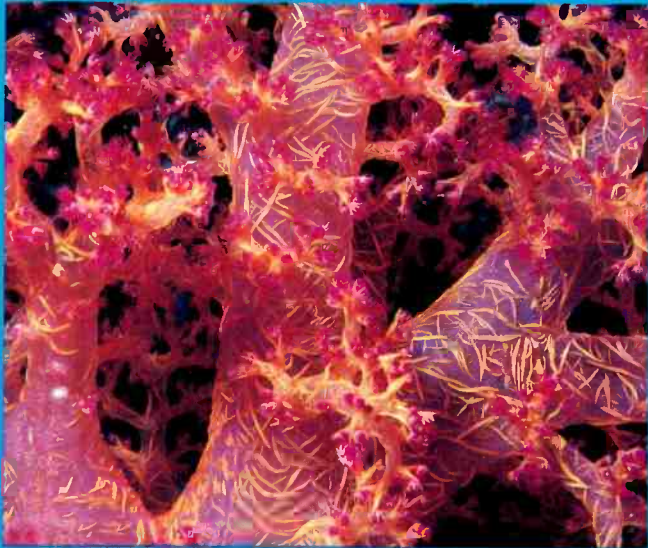
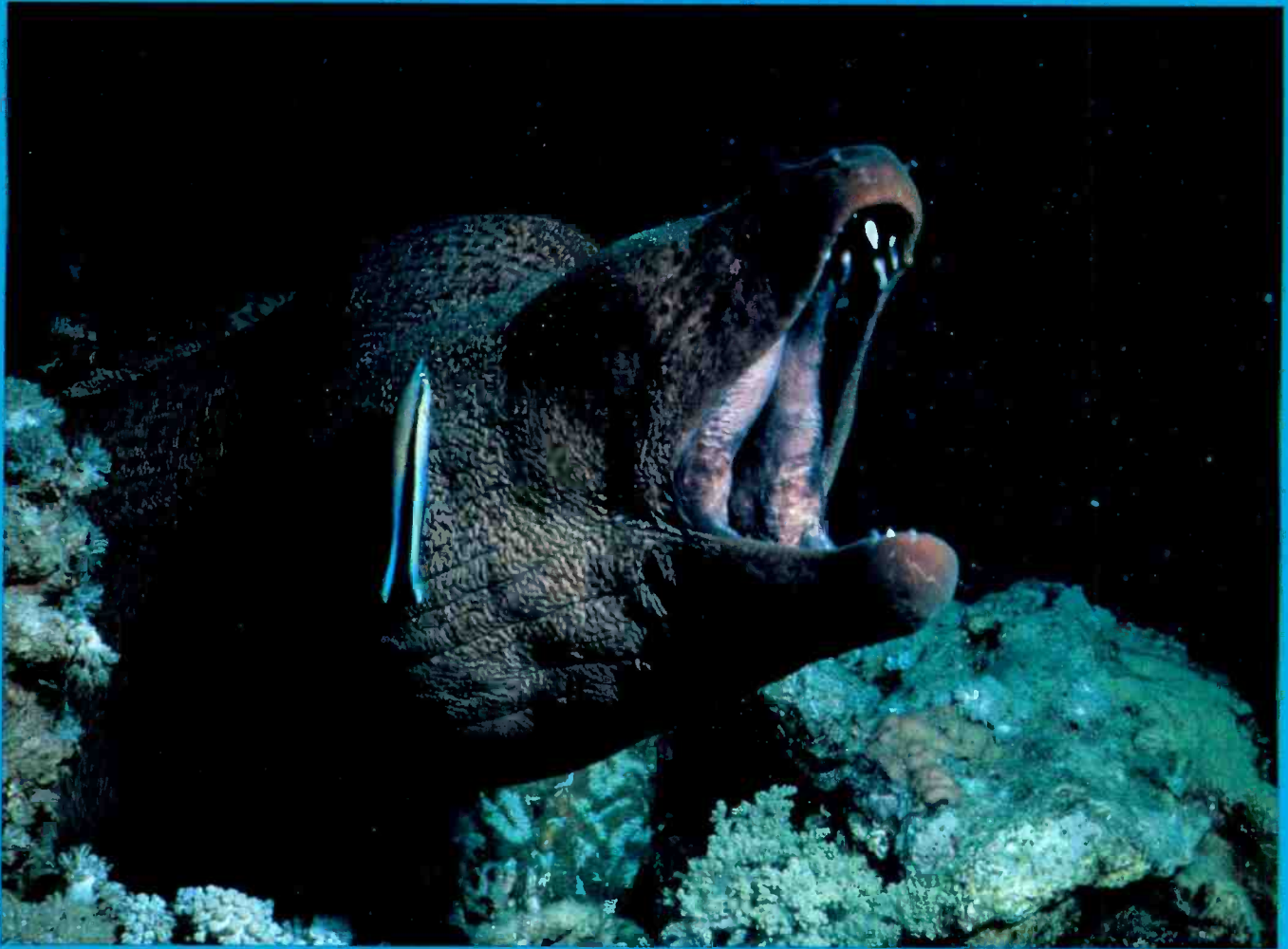
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*Source: The Disney Channel, National Campaign Analysis, 1987





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	5:00- 6:00 PM ET
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(All Times Eastern: Check local listings for air times in your areas.)

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What's On

M • A • Y

Affiliate Rebellion

by Kevin Pearce

MAY 17: The Cabletelevision Advertising Bureau begins a series of media research workshops covering the practical research information that cable systems must use to attract business from local and regional advertising agencies. Reach and frequency, underdelivery, product usage, geographic selectivity, demographics, recall, coincidentals, diaries and local research will be discussed. In Los Angeles, Dallas, Chicago, Atlanta and New York.

MAY 24-25: The last day of the May ratings sweeps (**Arbitron**, May 24; **Nielsen**, May 25). Among the sweeps exotica already announced: **Miss Universe** will air on **CBS**, May 23. For the fourth year in a row, Miss Texas will represent the U.S. in the pageant. If the writers' strike hasn't flattened their plans, **ABC** and **Coke** will bring **Bruce Willis** into your living room when **Moonlighting** becomes the first network program to feature scenes in 3-D. And NBC will put the green goliath back to work with an **Incredible Hulk** special (Hulk will have to go *mano a mano* versus ABC's **Lady Scarface** on May 15).

JUNE 5-11: The **9th Banff Television Festival** offers a chance for professionals to breath a more rarefied air. High in the Canadian Rockies, the festival features screenings, seminars, workshops and awards. On the slate this year: a debate between **Vladimir Pozner** and a U.S. journalist (yet to be chosen—**Mike Wallace** was invited) on truth in TV news. Panels discuss children's television, ratings as a test of excellence and film preservation. The most popular conference session last year, the "international market simulation" will be repeated as four independent producers present projects in development, and two animators market their programs.

JUNE 6-16: Two weeks after the May sweeps, the Big Three meet with their affiliates. **ABC's** June 6 meeting should include some lively talk about the **King Features-Hearst** development of a late-night show starring **Linda Ellerbee**.

ABC's rebellious Louisville affiliate might also inspire some gossip [see "Market Eye" in this issue]. **CBS's** main topics last year—their morning and late-night shows—have been settled for the time being. Much of this year's June 12 meeting will likely be spent bashing the **people-meter** system and considering an early start to the fall season. On June 16, **NBC** plans to discuss the **Olympics**, high-definition TV and possible company involvement with cable. Also likely is some affiliate feedback regarding the shifting of compensation away from **NBC Nightly News** toward the network's beleaguered daytime schedule.

JUNE 8-11: American Women in Radio and Television holds its annual convention in Pittsburgh. FCC commissioner **James Quello**, former FCC chairman **Robert Lee** and talk show host **Sally**

Jesse Raphael will speak. Also, experts will discuss getting top dollar for spots, preparing for a career turn and starting new businesses. AWRT president **Marlene Belle** will award the "Silver Satellite" to a distinguished personality. Past winners include **Grant Tinker**, **Barbara Walters** and **Mary Tyler Moore**.

JUNE 8-11: At the **Broadcast Promotion and Marketing Executives & Broadcast Designers Association** 32nd annual seminar, **Alan Kay**, "the father of personal computers," will give a lecture on his "Vision of a New Age." **Steve Sohmer** discusses the marketing of movies; **Lou Dorfman** will give a history of broadcast design from cardboard signs to computer graphics. The event will also feature awards and "The State of Our Art," which spotlights the best and most innovative commercials of the year.

CALENDAR

May 11-18: 28th Golden Rose of Montreux festival, Maison des Congres, Montreux, Switzerland. Contact: John Nathan, (212) 223-0044.

May 17: International Radio and Television Society, "Broadcaster of the Year" luncheon, New York, Waldorf-Astoria. Contact: Joyce Tudryn, (212) 867-6650.

May 18-19: Sports Conference, New York Marriott Marquis. Contact: Sam Novenster, (212) 213-1100.

May 18-21: American Association of Advertising Agencies 70th annual convention, White Sulpher Springs, W. Va. By invitation.

May 18-22: Public Radio Conference coordinated by National Public Radio, St. Louis, Adam's Mark Hotel. Contact: Elma Long, (202) 822-2000.

June 4-7: International summer Consumer Electronics Show, sponsored by Electronic Industries Association, Chicago, McCormick Place. Contact: (202) 457-8700.

June 5-7: NBC affiliate promotion executives conference, Los Angeles, Registry Hotel.

June 5-11: Banff Television Festival,

Banff, Alberta, Canada. Contact: Anne Daniels, (403) 762-3060.

June 6: Southern Educational Communications Association Spring Planning Conference, Fort Lauderdale, Fla., Marriott's Harbor Beach Resort. Contact: Linda Cothran, (803) 799-5517.

June 6-9: International Teleconferencing Association Exposition, Washington, D.C., Washington Hilton & Towers Hotel. Contact: Barbara Dales, (800) 248-KIPI.

June 6-9: ABC annual affiliates meeting, Los Angeles, Century Plaza.

June 8-11: Broadcast Promotion and Marketing Executives & Broadcast Designers Association 32nd annual seminar, Los Angeles, Bonaventure Hotel. Contact: Mary Ann Wiedemann, (213) 465-3777.


June 8-11: American Women in Radio and Television 37th annual convention, Pittsburgh. Contact: Diane Walden, (202) 429-5102.


June 12-15: CBS affiliates meeting, Los Angeles, Century Plaza.

June 16-18: NBC affiliates meeting, Maui, Hawaii, Hyatt Regency.


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SHOWS &

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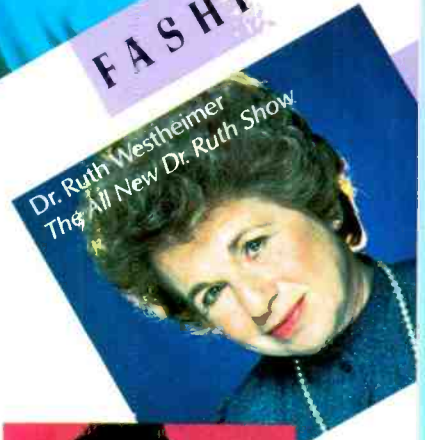
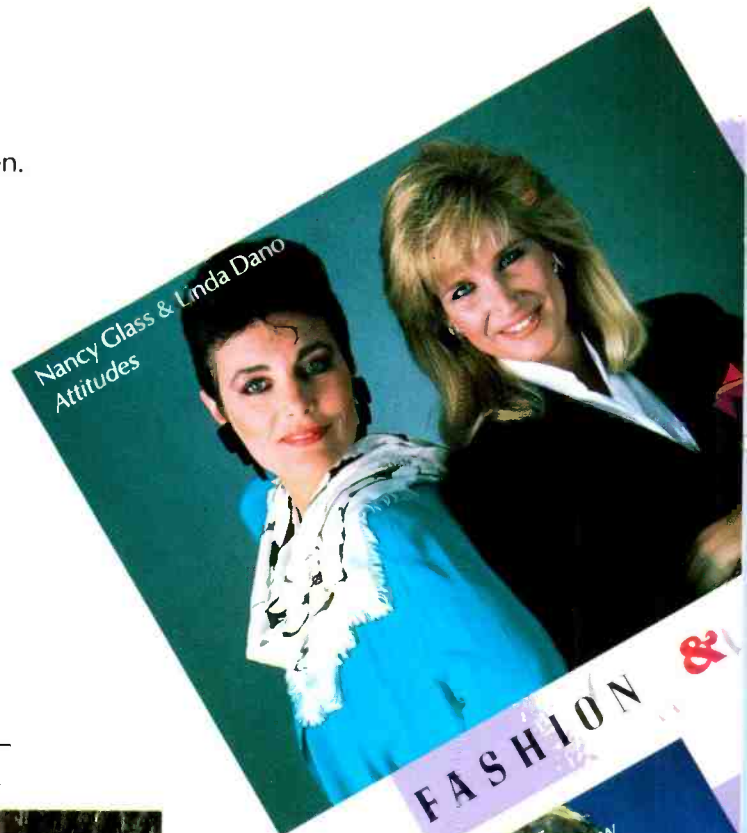
They're young, high income, working women and mothers enjoying average household incomes of \$34,171.* That's music to the ears of your local retailers. And a golden opportunity for you.

Lifetime can boost your ad sales because every retailer wants to reach our women. Everything from cosmetics to cars. Baby clothes to banks. Virtually every retailer in your area!

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The day is also filled with health and fitness shows, dramatic series, romantic movies, and family medical shows. All programmed to attract today's most important consumer, women.



*MRI, Fall 1987



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Lifetime

CABLE TELEVISION NETWORK SM

CHANGING THE FACE OF LOCAL AD SALES

Was It Good for You?

by Steve Behrens

HBO needs a more intimate understanding of viewer satisfaction than ratings provide.

Home Box Office gets ratings for every quarter hour, every day and every sweeps period. But the ratings that really count, that carry more authority than anything from Nielsen, are the ones that come down once a month, when subscribers either pay up or cancel.

"Our whole business is in jeopardy every month," says Robert Maxwell, HBO's v.p., research. In a given month, almost 4 percent of the service's subscribers disconnect—in a year, 50 percent. Keeping those disconnect rates down (while getting relocated families to sign up again), not surprisingly, is a major preoccupation of pay services, and it determines what clues they want from their little-publicized research operations.

Like other pay networks, HBO wants the best-satisfied audience of the month, not the biggest and best of the moment. And that requires *dissatisfying* some of the people some of the time, according to Maxwell. For example, HBO's subscribers skew young, and hoards of them would tune in if the company ran more of what Maxwell calls "stucoms" (stupid comedies). "Our prime time numbers would look a lot better," he says, "but we would hurt our business."

Instead, a pay service has the luxury of aiming to *really* satisfy narrow viewer groups one at a time. Exclusive boxing matches, for instance, are one of HBO's best means of retaining adult men, says Maxwell. The channel often selects themes for its own line of HBO Pictures that appeal to mature adults unsatisfied by many theatricals.

To see who's satisfied by what, HBO has Nielsen Media Research send special diaries to 700 subscribers each month, asking them to rate selected shows on a five-point scale (from "liked a lot" to "disliked a lot"). The percentage in the top two categories equals a program's "sat" score—the depth of satisfaction. Then, to take into account the breadth of satisfaction, HBO multiplies "sat" times the percentage of subscribers tuned in, giving Total Sub-

MOVIES THAT PLEASE

HBO tracks viewer satisfaction ("sat") as well as tune-in for movies and combines them, yielding a TSS score. Note that HBO's own movies outscore the average of films bought from studios. Schedulers take note when one movie (*The Color Purple*) satisfies twice the portion of viewers satisfied by another (*Three Amigos*).

MOVIES	TUNE-IN	SAT	TSS
Average, new theatricals, 1987	23	61	14
Average, HBO pictures, 1987	37	74	27
<i>Three Amigos</i>	48	44	21
<i>The Color Purple</i>	59	88	52

Source: Home Box Office

scriber Satisfaction (TSS).

Fraggle Rock gets high sats from kids, while, on Cinemax, sessions with rock and blues stars like B.B. King score in the 90s among young adults. So far, careful targeting of HBO's new PG-rated Festival service is producing average sats in the high 80s, outscoring both HBO and Cinemax, which rate in the mid- to high 70s.

Mediocre movies, such as *Neighbors*, a John Belushi vehicle, draw high tune-ins but low sats, leaving subscribers feeling burned. To minimize disasters, Maxwell has evaluators watch contracted films and predict TSS scores before the films are scheduled.

With a schedule dominated by movies and other kinds of one-shots, the channel seldom has the chance to refine an idea over the course of a series, but instead turns to research (though only as a tool for the creative people, Maxwell modestly hastens to add). In shaping its own productions, it surveys viewers to discover what's on their minds. Early last year, for example, surveys found great interest in AIDS. In October the channel brought on Surgeon General C. Everett Koop to answer common AIDS questions.

Using two regular phone surveys as well as the diaries, HBO keeps tabs on its subscribers' perceptions: Is HBO living up to their expectations? Is it a good buy? Are there too many repeats? And the key question: Do they expect to continue subscribing?

Though HBO leans heavily on qualitative measures, it's not doing so poorly in plain old quantitative ratings. Within its base of 15.9 million homes, the service got 14 percent of prime time viewing last year, compared with 18 and 19 shares racked up by CBS and ABC in pay-cable homes.

The channel was especially strong on Saturdays and Sundays, when subscribers do 39 percent of their HBO watching. Among subscribers, HBO beat all three broadcast networks in prime time share on 25 percent of the Saturdays last year, and beat two on 80 percent of Saturdays. And half the time its share was higher than at least one network on Fridays and Sundays.

A big prime time share is good news to HBO executives, to be sure, but they'd be just as happy with viewing at any hour that adds up to the six to eight satisfying programs a month that, they believe, can persuade an average subscriber to write the next month's check. ●



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DAILY
DEPARTURES
TO MIAMI
ON USA.**

Fasten your seat belts, because USA Network's commitment to quality entertainment is about to take your subscribers farther than ever. All the way to *Miami Vice*, in the mega-hit's first off-net run. Takeoff is scheduled for October 3rd, when the value of your entire package is going to soar.

**USA[®]
NETWORK**

The Great Unwired Debate *by Joe Mandese*

Will buys on a 'network' of stations linked only by a sales rep hurt the spot business?

Debates over how the business of national spot sales should be conducted are hardly unprecedented. But the current one over the proliferation of unwired-network deals between rep firms and major advertisers raises new questions about the relationship between TV stations and their spot-sales reps.

On one side are the unwired network proponents—Katz, Blair and their client stations—who claim that by targeting marginal and non-spot buyers, unwired deals will bring stations new ad dollars. On the other side are its opponents, who fear that while unwired buys may bring in new money initially, they ultimately will encourage spot-rate discounting.

Their fear stems from the fact that national advertisers will demand lower-than-rate-card prices to make the deals competitive with traditional network and barter-syndication costs. And once unwired deals are institutionalized, regular spot clients will demand the same cheap rates.

To date, the firms selling unwired networks deny they offer discounted rates. Instead, they say, they are attracting advertisers such as Procter & Gamble and Bristol-Myers by providing efficiencies of a different kind. "We are streamlining the process for them," explains Katz Television president Peter Goulazian, who plans to do "\$25-30 million" in unwired business this year. "When spot is placed on an individual market basis, buyers assume responsibility for monitoring each station. But in a package like this, we assume responsibility."

Maybe so, but others question whether that service really is of added value for advertisers. "We appreciate their concern, but that's what we do," notes Peggy Green, senior v.p./director of broadcast buying for Saatchi & Saatchi DFS. "We're looking for efficiency in the negotiations."

Indeed, Bristol-Myers director of media and program services Peggy Kelly says their \$2 million deal with the



Katz' Goulazian: Streamlining, not discounting.

Blair stations was "comparable to national syndication prices," which would put it somewhere around 20 percent below network TV rates and substantially below regular spot buys on a CPM basis.

Yet stations involved in unwired deals deny they have given price concessions. "Absolutely not," says Jack Shenkan, sales and marketing director for Hearst Broadcasting, which had three TV stations involved in the Blair deal and three in the \$10 million deal between Katz and P&G. "All I know is that when the rep calls me and asks what rates we want, we tell them and



Saatchi's Green: Discounts are the attraction.

don't worry about efficiencies."

"We have been able to put in the same rates that would be offered to anyone who came in on the same day at the same time," concurs Dave Henderson, president and chief operating officer of Outlet Communications, one of the groups involved in Katz' P&G deal.

While the word on the street is that P&G did pay close to normal spot rates, some fear they went easy on their first buy to help develop the marketplace. "If you're an advertiser and you're interested in institutionalizing unwired networks because you recognize the long-term potential, you are going to be somewhat easy to deal with the first time around," notes Harry Stecker, senior v.p. of Petry. He claims Petry passed on the Bristol-Myers deal because there wasn't enough money in it and because Petry wasn't sure about the impact on stations.

Despite reservations, says Stecker, Petry is discussing unwired deals with other advertisers. "We don't want them institutionalized before our clients, their owners and the industry have taken a careful look. Look what unwired nets did to spot radio."

While unwired-network sales account for only 12 percent of 1987's \$1.4 billion spot-radio billings, Stecker claims they had a softening effect on spot-radio rates. In fact, spot-radio revenues declined 2 percent last year.

But station and rep fears over unwired networks may already be too late. Superstation WTBS and the Tribune TV stations recently partnered to make a \$10 million deal with P&G. USA Network is said to be seeking broadcast partners for similar deals. Media General's media-buying service plans to put together unwired deals. Independent Television Network, which classifies itself as a barter-syndication firm, already places unwired deals for top national advertisers. Finally, barter reps have begun combining syndicated shows with marginal national clearances and plan to add cable to the mix. ●

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



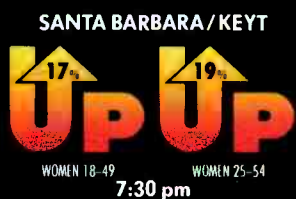
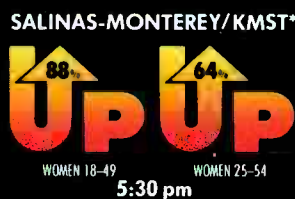
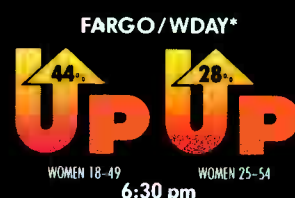
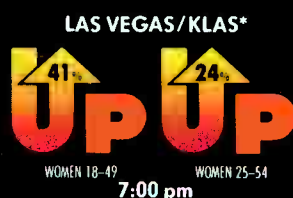
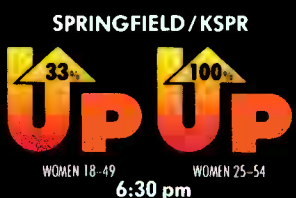
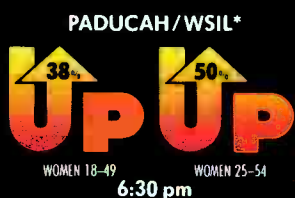
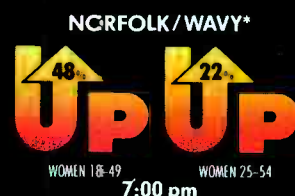
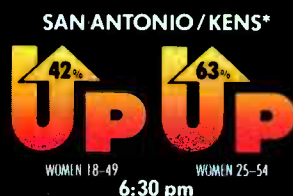
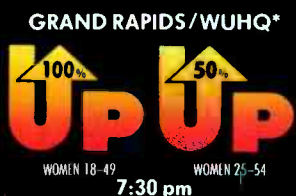
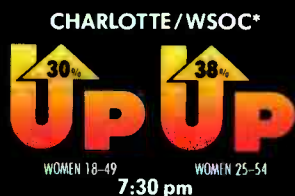
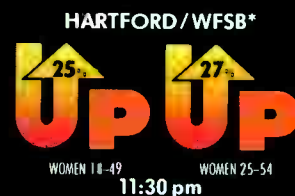
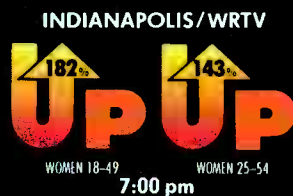
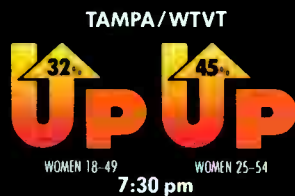
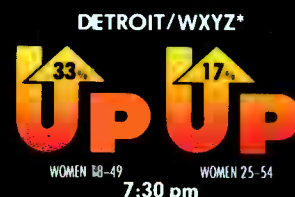
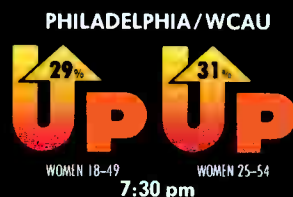
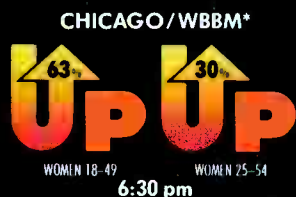
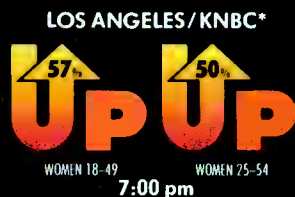
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PLOTTING
OUR FIRST
MURDER
FOR OCT. 3RD.**

It took a lot of premeditation, but we pulled it off. And this fall, the killer series *Murder: She Wrote* will be spotted in USA Network's lineup. Add *Miami Vice* and your subscribers have two very strong motives to start their weeknights with USA. Because when we commit to quality programming, we commit in the first degree.

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NETWORK

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Entertainment Tonight Feb. '88 vs. Feb. '87 Time Period Shares.

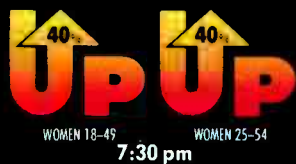


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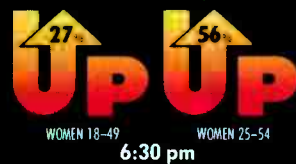
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CLEVELAND/WEWS*



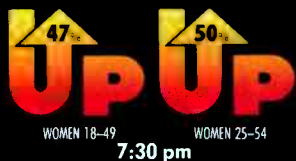
MINNEAPOLIS/KARE*



SAN DIEGO/KFMB



CINCINNATI/WKRC



MILWAUKEE/WITI*



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Eight years young and still trending up in key women demos. That's not just a success story, it's a phenomenon. That's why more and more stations are signing up, picking up or moving up "Entertainment Tonight" to access.

Just ask WABC in New York, WBBM in Chicago, KFMB in San Diego, KYW in Philadelphia, KGO in San Francisco and WFSB in Hartford. Plus WRTV in Indianapolis and KCRA in Sacramento. And keep watching the trades. As current trends continue, we'll bring you another "Update" after the May sweeps.



NSI (FARB) % increase Feb. '87 to Feb. '88, (partial listing). © 1988 by Paramount Pictures Corporation. All rights reserved.



Suit up with America's best

Finish first in the space race by carrying the right payload

Carry HSN 1[®], available exclusively to Cable Operators, and earn an average commission of 13¢ per subscriber, per month.

Carry HSN 2[®] (our broadcast signal) and boost your average commission to 22¢ per subscriber, per month. Our Tracking Station will monitor all sales in your wired franchise area and pay commissions for all subscriber and non-subscriber homes.

Suit up with the HSN[™] Flight Crew and we'll prepare you for profit lift-off with the HSN Launch Kit. Loaded

with marketing support materials to sustain momentum of your new revenue source on an ongoing basis. Explore your options, but carry the right payload.



*The Right Time.
The Right Choice.
The Right Stuff.*

**Call (813)572-8585
Affiliate Sales
to suit up today.**

Commissions shown represent the average actual commissions earned per month, per cable system, based on averages of all affiliated systems above 1,000 subscribers for the month of November 1987.

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No Place Like Home

by Cecilia Capuzzi

When KING-TV needed to spruce up its image, it didn't travel far for an answer.

To the uninitiated, the week last February when NBC affiliate KING-TV in Seattle played host to four celebrities and sponsored two black-tie banquets two nights in a row would seem like total chaos. First there was the Gold Helmet Awards, an annual event to promote the Seattle Seahawks football team and KING's coverage of its preseason games. Joe Namath was the ceremony's emcee, and he, along with other football stars, was flown in by the station to be honored at the banquet. At the same time, three stars from NBC's *St. Elsewhere* were arriving to be KING's guests at the *St. Elsewhere* Ball, an event staged by KING in conjunction with a local hospital to raise money for medical care for the needy.

Besides the frenzy centering on the banquets themselves, members of KING's marketing department were busy putting the final touches on a series of promotional spots that touted the events and the celebrities' whereabouts in Seattle. Some in the department spent the better part of two days marshalling Namath and *St. Elsewhere*'s Ronny Cox (Dr. Gideon in the show) around town. There were various appearances on the station's local news and morning shows, as well as routines on KING's weekly comedy program, *Almost Live*. There were also the rounds at local newspapers and radio stations. That was followed by appearances with KING on-air talent at shopping malls and veterans' hospitals, as well as at a breakfast for 100 local advertisers where the celebs had the chance to, as KING's director of marketing and advertising Barbara Kersey put it, "warm-fuzzy" KING's clients.

The week was hectic, but to Kersey, it was more like business as usual. In the five years since KING brought its marketing and promotional efforts completely in-house, the hustle to keep the station top-of-mind among TV viewers and advertisers in Seattle has become a way of life, and, its management believes, has also meant the difference between first and third place in a market where the three network affiliates



and an independent jockey for top billing depending on the time period.

One of the first stations in the country to streamline its promotional campaigns in a one-stop in-station effort, KING's marketing success is a model for other stations trying to surmount problems with ad agencies or trying to present a unified image to the community through programming and promotions. It also represents the television station's growing awareness that the days of "promotion" are over: To compete in a marketplace littered with

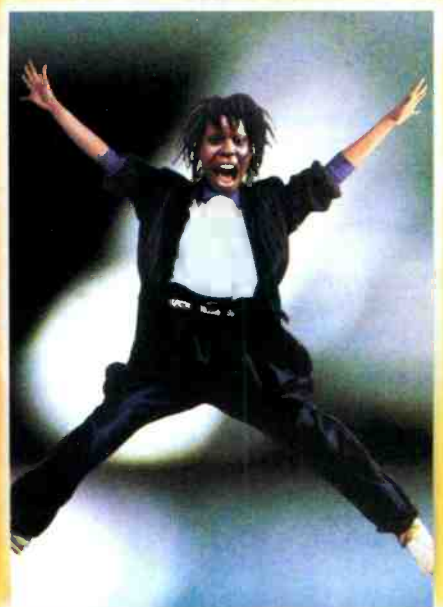
cable, VCRs and home-dish services, stations can no longer rely on agencies to make their decisions. "Far too many station managers have left understanding the marketplace to someone else," says Jim O'Connell, a marketing consultant working with the Broadcast Promotion and Marketing Executives. Even as recently as the early 1980s, says Jan Gray, the architect of KING's marketing department who is now director of communications at WBBM in Chicago, "the industry was plugging along in a ridiculously prolonged youth in marketing."

The concept for KING's in-house agency started in 1982 when Sturges Dorrance, then newly named station g.m., gave Gray, then sales marketing manager, virtual *carte blanche* in creating the type of "promotional" approach she believed would work best to surmount KING's problems. "Sturges came to me and said, 'In the best of all possible worlds, how would you promote a TV station?'" recalls Gray. Her advice: Create a full-service agency under KING's roof that would be



Pit stop: Joe Namath appears on KING's comedy show *Almost Live* with host Ross Shafer.

G.C.HARPER





It's the most promotable and exciting group of films ever released to television.

Viewers who haven't seen them will mark their calendars. Audiences who jammed the theaters will come back for more.

These are the most talked about and publicized movies of the decade. And now, the box office lightning of Century 14 is ready to strike home, for you.

Aliens ☆ **Big Trouble In Little China** ☆ **Black Widow**
Cocoon ☆ **Enemy Mine** ☆ **The Fly** ☆ **Highlander**
The Jewel Of The Nile ☆ **Jumpin' Jack Flash** ☆ **Lucas**
The Manhattan Project ☆ **Mannequin** ☆ **Mischief**
Moving Violations ☆ **The Name Of The Rose**
Predator ☆ **Project X** ☆ **Revenge Of The Nerds II:**
Nerds In Paradise ☆ **The Vindicator** ☆ **Warning Sign**

CENTURY 14

*Twenty major motion pictures
for when the going gets tough.*



The Public Eye



by Les Brown

The Growing Back End

When the first issue of *The New York Times* Sunday television magazine arrived in my house, I was struck by two things: first, that it was not a magazine at all but simply a week's worth of TV and cable program grids, and second that so many of the boxes in the grids were tinted gray. Gray designates movies. There was a story to be extracted from so much gray, it seemed to me, so I began counting.

For that first Sunday, around the clock, there were 110 gray slots, including 15 during the morning hours between 6 and noon; on Wednesday there were 97 gray slots. This excludes miniseries, which were not tinted gray but probably should have been because they are, after all, simply movies of greater than normal length. Nor does it include listings for the Playboy Channel or the double-X-rated networks, presumably because the *Times* couldn't handle their raunchy titles.

Based on this two-day sample, I concluded that view-

Television was once thought to be killing the movies; If you live long enough, you see bitter enemies becoming cozy allies.

ers in the New York metropolitan area had access to an average of 100 movies a day, 700 movies a week, 36,400 movies a year—an astounding number, especially when you consider that Hollywood releases only 350 theatrical films in a good year. But of course some movies are repeated, or duplicated on the pay channels. So the second week I counted the titles in the *Times*' alphabetical listing of movies and got 429 for the seven-day span—still a staggering total, figuring out to more than 20,000 different titles a year.

What a long way the TV and movie industries have come from the time they were mortal enemies, a mere quarter century ago. Television was thought then to be killing the movies; instead, as we've seen, it's given them eternal life. The movie studios weren't going to sell their treasures to the upstart medium; now they've not only flooded it with features but are the principal suppliers of network series.

If you live long enough, you see bitter enemies becoming cozy allies. Television is now a vital ad medium for new movie releases, and movies the inspiration for many

television series, largely because they attract the youthful audience the networks are desperately trying to reach. Moreover, the heads of several leading film studios—Bob Daly at Warners, Barry Diller at Fox and Michael Eisner at Disney—came up through television. The two industries are so interdependent, and their fates so intertwined, that virtually all movies, after the theatrical run, are destined to spend the rest of their days as television. And for most, their theatrical life is very brief indeed.

One hears much talk in financial circles today about the back end providing the big upside for a movie. Translated that means there's a bunch of revenue in the ancillary markets now. Except for foreign theatrical sales, the back end is all TV and video—in cassette sales, pay per view, pay cable, TV or cable network showings and then, ever after, TV syndication. The back end is growing so large and powerful that it is starting to wag the front end. More and more movies are being produced with a view to their post-theatrical audiences, which means that the longtime concentration on the teenage market, evidenced in all the film descendants of *Porky's*, is yielding to more venturesome pictures.

Two years ago, cassette sales for the first time outstripped box-office receipts for movies, and that was a revelation. VCR penetration has grown since then to more than 50 percent in the U.S. and seems headed for 60 and 70 percent. The impact of that I leave to your imagination. Meanwhile, pay per view continues to come on strong, and the foreign TV and home video markets are exploding. In fact, the serious movie glut in domestic syndication these days is offset by sales to Europe, where new commercial TV channels are starting up by the month.

Movies travel well abroad, better than most genres of TV series, and the new European channels apparently are hungry for them. MCA International reports that 40 percent of its business overseas is in movies. As for home video, a small country like Sweden, with slightly more than a million VCR households, spent \$200 million on cassette rentals last year. With a general crackdown on piracy, cassette sales are up around the world.

Soon into our midst comes high-definition TV on a large screen with stereophonic sound to reduce the advantage of theatrical exhibition. Eventually, it would seem, the ancillary markets will become primary. Movies will likely be made in greater numbers for grown-up audiences. That is bound to be good news for television in America—and also for those of us who check out the gray boxes in the program grids first. ●

If you're
still puzzled
for Fall
1989...



NTI 1/88-1/988
NTI 9/28/86-1/7/89
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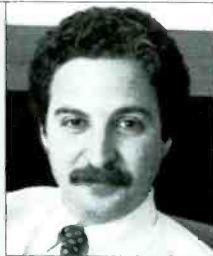
Here's the perfect fit.

- * ABC's #1 program for 1988
- * Ranked #4 Nationally
- * Over 100 markets sold

“Who's The Boss?” A must buy.



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Watching the TV Audience

I recently spent an evening watching people talk about television. What they said reinforced a lot of conventional thinking about the enormous importance of television in family life. But the hours also offered convincing, if merely anecdotal, signs of how differently we're viewing television than we did in the past.

The two focus groups, held in a market ranked between 50 and 100, consisted of upper- and lower-middle-class people, nobody appearing particularly affluent and, with the exception of one man recently laid off, nobody appearing to be in particularly difficult straits.

They talked comfortably, although occasionally with embarrassment, about how much TV they watch. But it's not that people are necessarily consumed with thinking about TV. They'll tell you inconsistent things from time to time, such as how little they like it, but how often they watch or at least have the set on as background; how cable isn't really that hot, but how it dominates their

There's been a revolution in how people watch TV. Network loyalty has been replaced by new kinds of personal viewing habits.

viewing. What's clear, though, from listening to people talk about television, is the degree of sophistication with which they regard the medium—views and approaches to it developed far from the media capitals.

Nearly all of the 20 people in the groups, which were split by sex, were cable subscribers. Although they had little trouble clearly differentiating between the array of networks now available via their 30-plus channel cable system, nearly all referred to both their local network affiliates and others not by call letters or network but by dial positions. "We watch a lot of channel two," was a typical comment. Nearly all own VCRs and rent tapes several times a week. Several own large collections of tapes, primarily films, and one older woman said that taping films is her primary recreation, and that she owns about 300 movies.

Half the women indicated that the set is on during every waking family moment. A full dozen of the 20 participants said that over half of their TV time is spent viewing cable channels. Virtually all operate their sets by remote control. They say they *never* watch ads on programs they've taped, and the women, although able to

cite particular ads they enjoy, say they leave the room or read when the ads come on. "I can't resist the Dairy Queen ad," said one. "I'm over there in five minutes." The men say they always flip off the ads.

Women, in particular, are very aware of their local paper's coverage of ratings and expressed frequent and strong frustrations about how networks don't give programs a chance to build audiences and how program schedules change at random. The local paper or *TV Guide* is handy, but children and friends are more useful sources of new programs and networks.

They like *Cosby*, *L.A. Law*, *60 Minutes*, *Oprah*, nighttime soaps and sports. Surprisingly, many mention cable's Discovery Channel as providing the kind of adventure and outdoors programs that don't appear elsewhere, offering a wholesomeness generally missing from most programming. The women who are at home see Oprah and Phil as important companions, and one mentioned how significant television is in helping her put her infant to sleep.

The men share important evening moments with *M*A*S*H's* Hawkeye, who remains the naughty boy many seem to want to be. "He gets away with things people wish they could get away with," one man remarked. But the men, meanwhile, seem almost totally out of touch with series television, and are far more interested in movies and sports than anything else. Few feel strong loyalty to any of the Big Three anchors, and several people said they flipped from one national news program to another just as they would watch four basketball games at a time.

There's little if any loyalty to particular networks, unlike the pre-cable days 20 years ago, when some families, for instance, considered themselves "CBS families." They'll go anywhere on their dials for entertaining or informative programming, and the considerable attention the barely marketed Discovery Channel seems to get suggests that people do their own searching for the shows they really want to watch, zipping through the array of options until they're persuaded to stay put.

Without a doubt, all the trends observed in this comfortable, wired, Midwest community will continue. People watch and identify with programs and not with networks of any shape or form. That's because the "new television" has changed how people watch. Only soap operas, it seems, produce viewer commitments, affirming the fact that people watch programs, ones they find by scanning the dial, by listening to their children or stopping by their local tape-rental outlet. We're facing an era of personal television and what viewers are telling us is that the programmer is no longer in charge. ●

Not just any deal. Not just any broker.

This deal could have gone to any one of the Wall Street firms. But they don't have years of exclusive service to the media industry, like we do.

It could have gone to any among dozens of hip-pocket brokers. But they don't have the financial and industry connections we do.

Or it could have gone to an old-time broker. But they don't have the full-service capabilities we do.

But it wasn't just any deal. And CEA isn't just any broker.

For a free copy of CEA's Corporate Brochure and a subscription to our industry newsletter, "Insight," call or write our Tampa office.

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March, 1988

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REDSTONE'S ARSENAL

by Christopher Vaughn and Rich Zahradnik

High atop Rockefeller Center in the plush and newly renovated Rainbow Room, Viacom International's barter sales executives gathered advertisers of every ilk and stripe to bid for the one minute of time available in next season's syndicated run of *The Cosby Show*.

Syndication honchos Joe Zaleski and Dennis Gillespie made the pitch, while Viacom president and CEO Frank Biondi offered his blessing on the battle. Remaining in the background, unrecognized by most, demurring quietly when singled out for introduction, was Sumner Murray Redstone, the straight-backed, unassuming 64-year-old theater-chain owner who had outbid Viacom's former management for the entertainment conglomerate last June.

As chairman of his family's National Amusements Inc., Redstone has been so intimately involved in running its 400-screen theater chain that employees still say—only half jokingly—that he personally hires the ushers. Now Redstone is chairman of Viacom as well, but describes himself with a smile as “a lowly member of the staff” and defers to his raft of high-priced TV executives.

Late last year, however, the new owner was not too shy to make his opinion on a basic matter known throughout the company. Back when Redstone was an investor in Viacom and Terrence Elkes was still CEO, Elkes had repeatedly corrected Redstone's pronunciation of the company name. “Elkes said it was ‘Vee-uh-com,’ ” recalls a v.p. in the company. “But at last year's Christmas party, Tony Cox [then newly appointed as Showtime/The Movie Channel chairman/CEO] announced that the company would henceforth be known as ‘Vy-uh-com.’ Redstone's reasoning was probably, It's my company now and I'll call it anything I please.”

With bank debt, junk bonds and an issue of preferred stock, he leveraged a \$461 million Viacom investment to come out owning 83 percent of a firm whose stock value was nearly \$3.4 billion. And he doesn't regret it. “What we see as the private market value of the company—what a lot of people are saying—is \$5.5 to \$6 billion,” says Redstone with a smile. “And that makes that so-called heavy expenditure that we made look pretty good now.”

Redstone liked the company at first glance—its five TV stations, 16 cable sys-

tems with 1,063,000 subscribers, seven cable networks, syndication rights to *The Cosby Show* among other shows, and production of the network series *Frank's Place*, *Matlock* and *Jake and the Fatman*. And now he likes it even more. He says, “The only company I ever fell in love with—and I'm not used to overstatements—was Viacom.”

For many another TV executive, programs are but “product” to be sold, but to Redstone they're what stirs the heart and causes his calm, Bostonian voice to rise in excitement. He admits that when he was fighting for the company he had undervalued its programming side. “The banks—and we, to a very large extent—focused on the value of cable systems, where we got a break when cable values went way up, and radio and television stations,” he explains. “In fact, the real growth in this company is as a programmer.”

“What did I know about MTV?” he jokes. “All I knew was that I couldn't stand looking at it.” Surprised by the bounties in Viacom's basic cable networks, he says he's ready to start another if he comes across a good idea.

In production, Henry Schleiff, CEO of Viacom's Entertainment and Broadcast groups, boasts orders for five comedy pilots from the broadcast networks and is offering a full slate of syndicated shows. At Showtime, Redstone says its former managers paid more for movie exclusivity than he would have, but now he plans to make sure consumers know where the exclusives can be seen. Showtime plans to double or triple its promotion spending.

For months Wall Street assumed that Redstone must bring in partners to help in refurbishing Showtime while paying down more than \$2.3 billion in bank debt, much of it left from his purchase of the company. But now Redstone says his banks and investors are interested in refinancing that debt, and may adopt

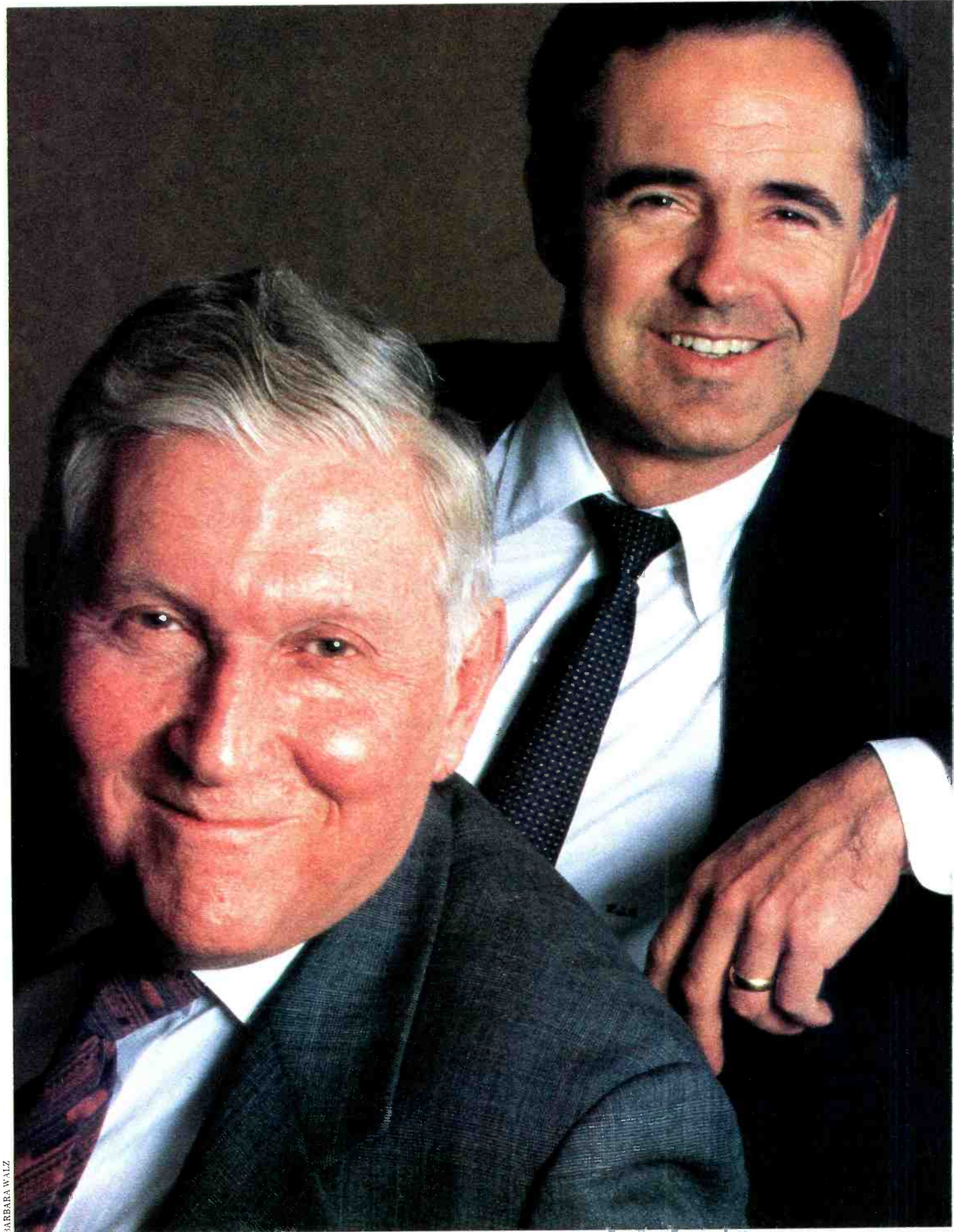
a payment schedule that would let him keep the company in one piece. “I see the company expanding, not liquidating,” says Redstone. “Indeed, even my views on the necessity of selling minority interests have been very much tempered.”

If Redstone has delayed in taking partners, that follows advice he got from a frequent dinner and tennis companion, CBS chairman Laurence Tisch, during the takeover. “At that time,” Redstone recalls, “we were talking to some major companies: We were talking to Coke, we were talking to Disney, we were talking to MCA. And Larry said, ‘Don't take in a

Viacom's owner, Sumner Redstone, is marshaling his forces to expand in programming—and keep intact the first company this smart investor has ever fallen in love with.

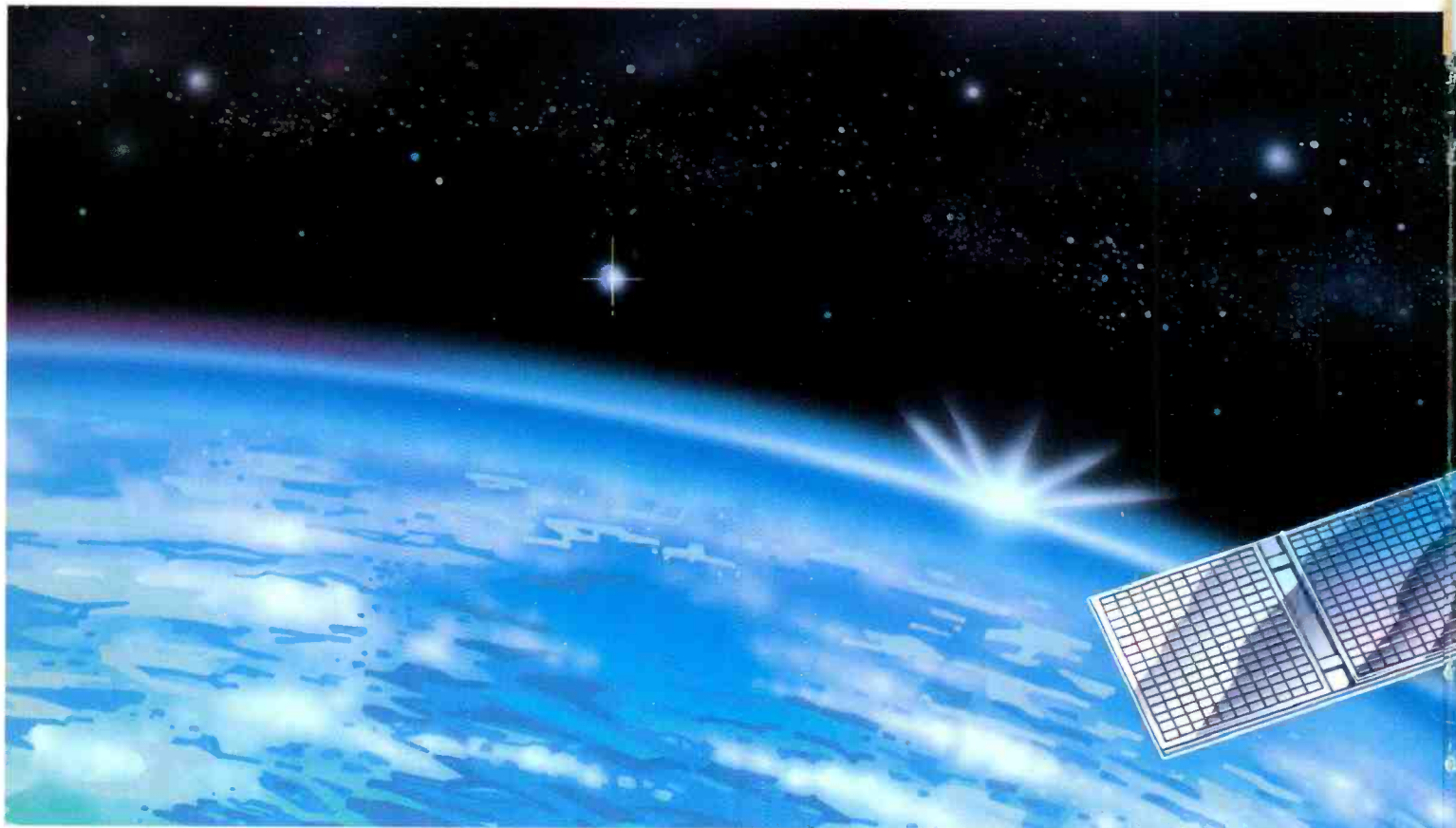
Though Redstone (front) and Biondi urged Viacom divisions to cooperate, the company hadn't moved to syndicate *Double Dare* until another company inquired about handling it.

.....
Christopher Vaughn is New York bureau chief of The Hollywood Reporter. Rich Zahradnik covers media business from his base in Peekskill, N.Y.



BARBARA WALZ

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Introducing the Cycle Sat Satellite Courier System.

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Any commercials OR traffic instructions that are misplaced or damaged due to land or air courier error can mean financial loss to your station or the inconvenience of "make-goods."

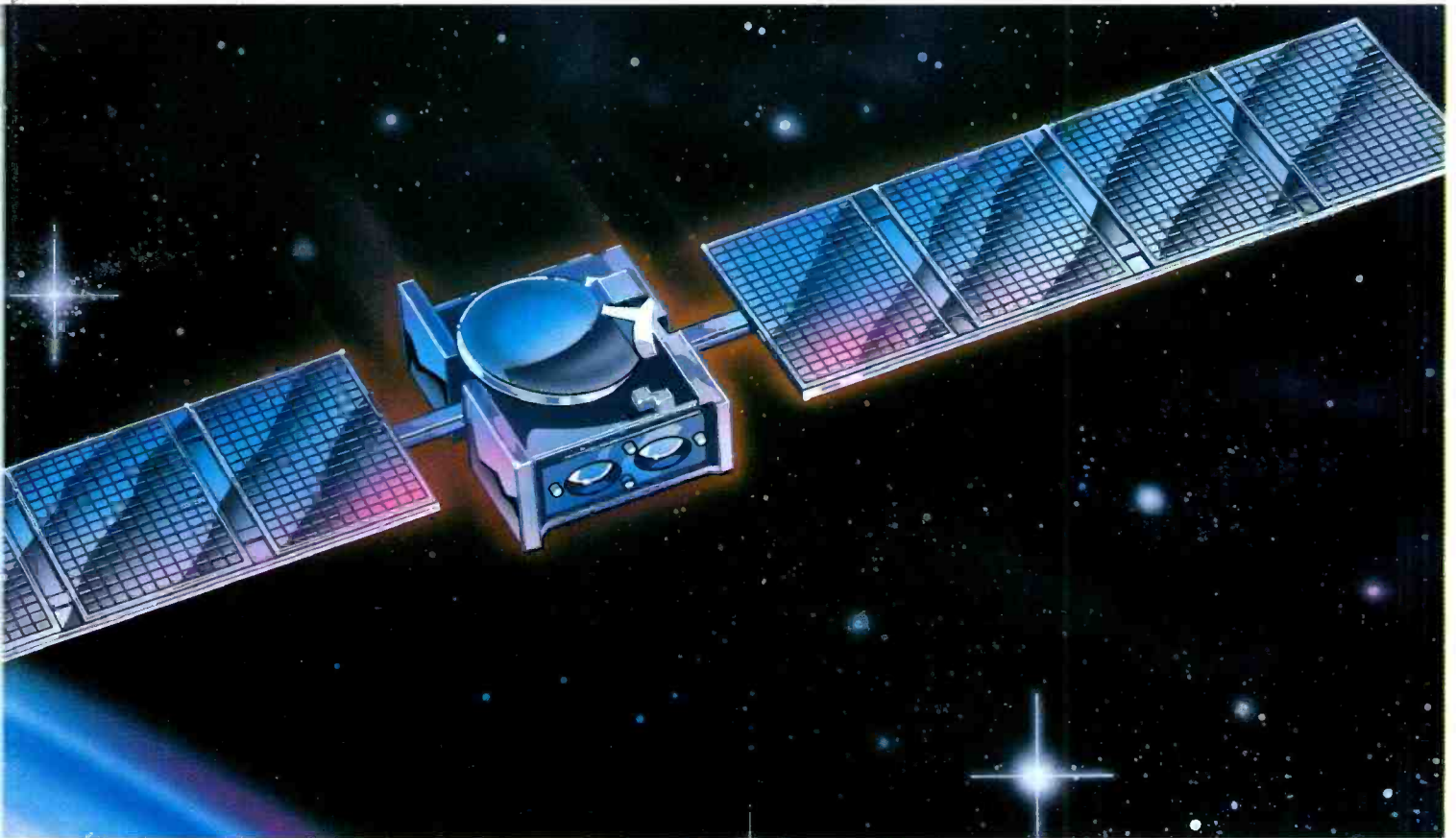
Now there's the *Cycle Sat Satellite Courier System*. Cycle Sat can provide you with network quality spots AND traffic information – including updates in a timely fashion, allowing you more scheduling time. Changes in trafficking can now be instantaneous instead of late or lost.

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to deliver TV spots...



way to receive them.

intended for your station. What's more, they may be recorded in off-peak time periods.

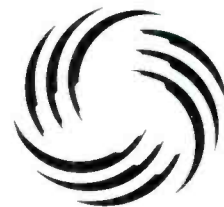
With reception of either Ku-band or C-band, our nightly transmission schedules reduce your recording equipment conflicts by allowing you to receive all scheduled commercials during a **single** feed. By the use of the Cyclecypher system, you can reduce operation time and store commercials in just 25% of the space required to store a similar number by conventional means.

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When you sign-up for the *Cycle Sat Satellite Courier*, you will receive the Cycle Sat package, which includes: a Cyclecypher, Ku-band/C-band satellite data decoder/receiver, a high-speed Cycle Sat printer, a remote record indicator, two interface cable packs, and \$100 to help cover your installation costs.

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Among its options, Biondi says, Viacom could recapitalize so its debts mature later.

partner. If you want to do it, you'll do a hell of a lot better if you do it *after* you get the company.' And that was probably as good a piece of advice as I received from anybody."

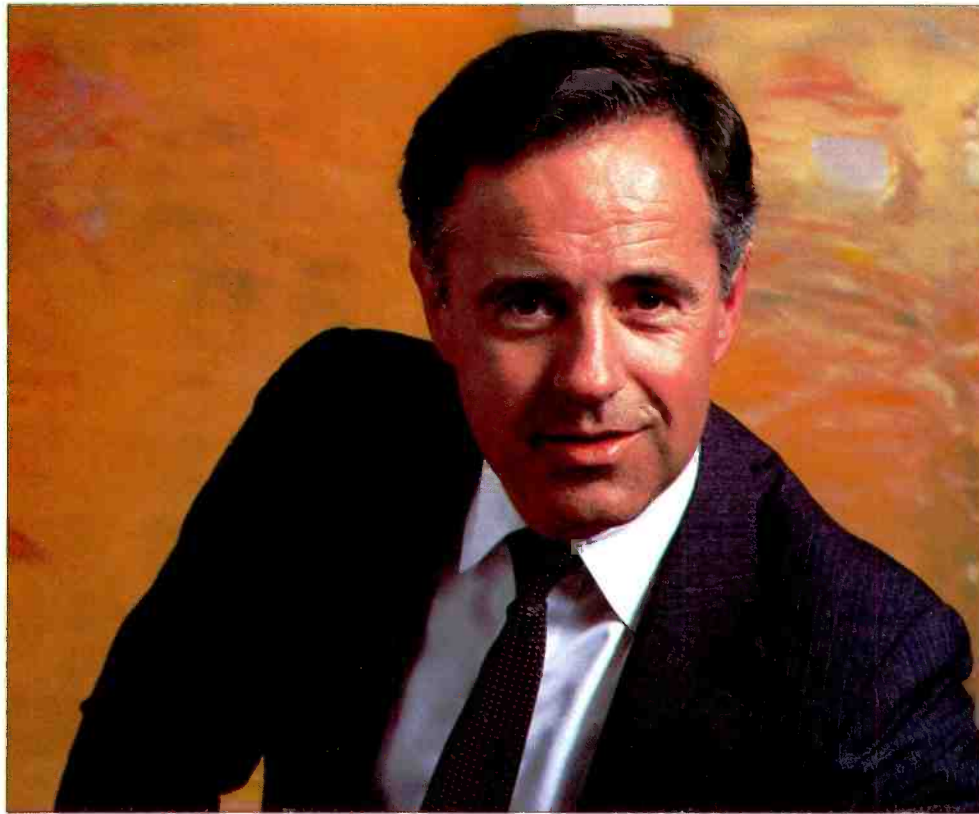
Holding on to the whole shebang would not be out of character for Redstone. Says Ira A. Korff, executive v.p. of National Amusements and Redstone's son-in-law: "We have never, in the history of this company, sold anything." Redstone can be tenacious. The story is now almost legendary about how, in 1979, he clung by one hand to a third-story ledge outside his burning hotel room. (He suffered burns over 40 percent of his body.)

Any urgency about selling off Viacom assets has been reduced by strong cash flow during 1987—especially from the cable systems, which yield 46 percent of Viacom's operating income on 28 percent of its revenues—and Redstone's desire to get the best price, not a clearance-sale price, if he does take partners in any of Viacom's operations. The strength of that cash flow is illustrated by comparable pro forma figures for 1986 and '87 that picture the company as if the merger had taken place at the beginning of each year. Over the year, Viacom's pro forma operating income jumped 37 percent to \$237 million, while its revenue rose 10 percent to \$1.01 billion.

The actual books aren't nearly as cheery. Because of merger-related costs last year, Viacom had a \$43.8 million net loss from January 1 through June 8, the eve of National's acquisition of Viacom (a loss principally attributable to costs run up in Elkes' buyout attempt), and a further \$79.6 million net loss for the rest of the year (during which Viacom paid \$152 million in interest, more than half involved in the acquisition).

But it's the hefty cash flow that gives Redstone leeway on repaying debts. Besides, Viacom isn't scheduled to make its first loan payment of \$200 million until this December, by which time he says it would be "a breeze" to sell a TV station to raise the cash. Or the company might recapitalize so its borrowings would mature in 10 or 12 years instead of four to six, adds Biondi. Analysts agree that Viacom may be able to recapitalize without selling assets.

Even if finances don't require Redstone to take partners, it may make strategic sense to forge alliances for Viacom's pay movie services among companies that have movies to run or cable subscribers



to entertain. Major studios and cable operators have eyeballed partnerships in Showtime/The Movie Channel all year, and emissaries from French and British

.....
'He's a terrific competitor,' says Tisch, who also owned theaters. 'Sumner's going to make it work.'
.....



"We have never, in the history of the company, sold anything," says Korff, National Amusements exec (and Redstone son-in-law). But if refinancing failed, Viacom would have to sell assets.

interests recently came to New York for talks about a piece of the pay service. "I would probably be more interested in Disney than I would in Columbia," says Winston (Tony) Cox, chairman and CEO of S/TMC. (Columbia sells its movies to HBO.) "And, whereas MCA is just kicking the tires, Disney is quite serious."

A spring wedding would make even more sense for Viewer's Choice, the pay-per-view service operated by S/TMC. The service is leaking money: Cox says the Viewer's Choice network spends 40 percent of the gross revenues collected by cable operators; the network's cut, meanwhile, is only 5 to 10 percent. By March, Biondi was hinting that Viacom would find better payback as a producer for pay per view rather than as sole operator of a network squeezed between the studios and the cable operators.

Last fall S/TMC began talking consolidation with Jeffrey Reiss, founder of the competing PPV service, Request, and then with Home Premiere TV, a pay-per-view operation set up by several cable operators. But it's not surprising that Redstone, a man with roots in the box office, is high on pay per view in general. "Nobody understands the potential," he says. "Some people say it's going to be a multi, multibillion-dollar business, some people are less sanguine about it. We're

committed to exploiting it.”

And where Redstone is committed, he's willing to invest money, almost as a matter of pride. One Viacom executive recalls being bowled over by Redstone at a budget meeting: “I want more from you,” Redstone told him, “so you tell me what you need.” “And he sent us away to come up with a bigger budget,” the executive says.

Schleiff, the head of programming and broadcasting, confirms that he's getting the resources he needs to compete in network and syndicated program production. No one anticipated Viacom's current success in the risky development of network programs—those five pilot orders from the networks—“but certainly, as we take a snapshot at this time, you'll see some very happy people at Viacom on the West Coast,” he says.

Who knows? One of those pilots may fulfill Schleiff's fondest dream, “to be the owner of a show that has the success of a *Cosby*, as opposed to being merely the distributor of *Cosby*.” Not that having just the distribution rights to *Cosby* is all that terrible. Viacom expects \$200 million in pre-tax profits from the series to grace its books during the four years starting in August.

Even so, Redstone wants to hold down deficits on new productions. “We have a show right now that I really loved called *Father Dowling*,” he said not long ago. “We did the pilot, but we're not going to make it on a non-economical basis. Period. When you deliver a message of that kind, it's not only to the outside,” he continues. “It has to be to your own people, too.” The message apparently got through. Viacom accepted NBC's order for six episodes.

Throughout the patchwork of operations put together by Elkes, the message is that Redstone and Biondi want more return from existing productions. In interview after interview, executives describe Viacom's new search for “synergy,” a cliché Redstone himself hates to use, but a strategy he backs all the way.

“The first thing Frank and Sumner did when they came in here was to put us all in a room together to learn about each other's businesses,” says Thomas Freston, president and CEO of MTV Networks, Viacom's ad-supported network arm. “Now we do it on a weekly basis. So I really understand what Viacom's other businesses are, as do the other executives.” Oddly enough, that meeting was

the first time all of Viacom's top people had assembled in the same room.

The message about synergy simply had not gotten around. Biondi tells of how Viacom happened to take *Double Dare*, a kiddie game show on its Nickelodeon cable network, and syndicate it: The company got its first good fix on the show's off-cable potential last year when Hal

Roach Studios offered Nickelodeon executive v.p. Geraldine Laybourne \$2 million for the syndication rights.

“Gerry said, ‘Oh gee, let me go check with our guys,’ ” recalls Biondi. “And the Roach people quickly said, ‘We'll pay you \$3 million.’ So Gerry ran over to our syndication people and they said, ‘Aw jeez, we don't know—it's a cable show...’

And Gerry said, ‘But they guarantee us \$3 million!’ And everyone said, ‘Ah, well, maybe we better look at this.’ ” Before the deal was done, Hal Roach had upped its offer to \$5 million—and representatives from Toys “R” Us had called, looking to buy ad time on a syndicated *Double Dare* they had somehow heard was being produced. “Suddenly,” says Biondi with a chuckle, “our guys get backbone.”

Now Viacom Enterprises is also syndicating another children's game show from Nickelodeon, *Finders Keepers*. Reruns of Showtime's comedy *It's Garry Shandling's Show* appear on the Fox network. And Nickelodeon is developing several more projects for syndication. The *Double Dare* deal lets Viacom exploit advertising synergies. “We have three or four advertisers who never advertised on Nickelodeon,” says Biondi, “and now they're there because they can buy time nationally, in combination with the cable network.”

Viacom has also found benefits in cross-promotion: National Amusements' theaters run promotional trailers for Showtime, and Viacom's three CBS affiliates give an extra promotional push to the company's CBS shows.

While the jury may still be out on Redstone's ability to keep Viacom intact and hold on to it, industry leaders familiar with his history believe he'll succeed, no matter what it takes. “I've known him since I came into Loews in 1959 and he's a terrific competitor,” says CBS's Tisch. “I think Sumner's going to make it work.”

Redstone has been making things work since soon after his birth in Boston in the middle of the Roaring '20s. After graduating from Harvard in two and a half years, he became one of the university's few students to work

VIACOMPARTMENTS

PRO FORMA RESULTS FOR 1986, 1987*

TOP EXECUTIVES

NETWORKS GROUP

MTV Networks

(ad-supported cable programming), which operates MTV, VH-1 and Nickelodeon/Nick at Night cable networks

Operating income up 11 percent from \$62.2 million to \$68.8 million

Operating revenues up 3 percent from \$510.4 million to \$523.6 million



Thomas Freston, president/CEO, MTV Networks

Showtime/The Movie Channel

(pay cable programming), which operates Showtime and The Movie Channel subscription networks and Viewers' Choice pay-per-view network



Winston (Tony) Cox, chairman/CEO, Showtime/The Movie Channel

ENTERTAINMENT GROUP

Viacom Productions

which makes *Frank's Place*, *Jake and the Fatman*, *Matlock* and Perry Mason specials for the networks.

Operating income up 80 percent from \$14.3 million to \$25.8 million

Operating revenues up 6 percent from \$77.3 million to \$81.6 million



Henry Schleiff, chairman/CEO

Viacom Enterprises

which syndicates *The Cosby Show* and many other programs.

BROADCASTING GROUP

TV stations: KMOV-TV, St. Louis; WVIT, New Britain/Hartford/New Haven; WNYT, Albany; KSLA-TV, Shreveport; and WHEC-TV, Rochester

Operating income up 31 percent from \$44.1 million to \$57.6 million

Operating revenues up 19 percent from \$111.3 million to \$132.1 million



Henry Schleiff, chairman/CEO

Radio stations: WLTW-FM, New York; WLAK-FM, Chicago; KIKK-AM-FM, Pasadena; WMZQ-AM-FM, Washington, D. C. area; WRVR-AM-FM, Memphis; KBSG-FM, Tacoma/Seattle

CABLE TELEVISION DIVISION

16 cable systems with 1.06 million basic cable subscribers

Operating income up 27 percent from \$85.7 million to \$108.5 million

Operating revenues up 21 percent from \$232.8 million to \$282.8 million



John Goddard, president

* Restated for comparison of results from 1986 and 1987 as if the merger had taken place at the beginning of each year.



Kids are making a hit of Viacom's raucously messy game show *Double Dare*, now in syndication.

with associate professor Edwin Reichauer in a secret group that broke high-level Japanese codes during World War II.

While Redstone's father, Michael, was starting National Amusements, building the first drive-in theater in New York State and running his Latin Quarter nightclub in Boston, his son returned to Harvard to pick up a post-war law degree. He joined National after a 12-year stint practicing law in Washington, and began expanding the drive-in circuit. Today, he works Monday through Thursday at Viacom's offices in Manhattan and on Friday returns home to Boston, near National's unpretentious two-story headquarters in Dedham, Mass. Redstone doesn't mind admitting misjudgments he's made through the years, but he bristles when journalists acclaim Cineplex Odeon CEO Garth Drabinsky as the savior of the cinema and he takes care to get credit for, among other things, helping to invent the Multiplex (National holds the trademark), the standard of film motion picture exhibition today.

"There was a turning point in the theater exhibition business after the Paramount decrees in the late '40s," explains Korff. "Most exhibitors were small, family-owned businesses like ours, and different companies made different decisions about the future. Some developed their properties in other areas, but we said, 'No, our future is in the motion picture exhibition industry.'"

Studio heads counted Redstone as a friend, but never underestimated his determination to hammer out the best

deal to put the top films on his screens. His film-buff enthusiasm is evident in the hallways of National's headquarters, which are decorated with posters of Betty Hutton, Sonja Henie, Paulette Goddard and Lucille Ball. In conversa-

THE BOYS OF SUMNER

Frank Biondi, once chairman and CEO of Home Box Office, led a phalanx of HBO veterans into top management posts at Viacom. Redstone cites Biondi's "excellent management abilities" as the draw. As for salaries and stock options, Redstone will only say "Viacom compensates its executives competitively." Former HBO executives now at Viacom include:

- Henry Schleiff, was senior v.p. of administration and entertainment, HBO Enterprises.
- Tony Cox, was president of the HBO Network Group and v.p. for corporate planning of Time Inc.
- Matt Blank, now executive v.p. of marketing at Showtime/The Movie Channel, was senior v.p. of consumer marketing at HBO.
- Neil Braun, now senior v.p. of corporate development and administration at Viacom, was, successively, senior v.p. of film programming at HBO, executive v.p. of HBO Video and later president and chief operating officer of Imagine Films.

tion, he's quick to say how much he liked *Moonstruck* and how he can't understand why *Couch Trip* failed at the box office. This man sees a lot of movies.

He watches and admires Viacom's own TV shows as well. *Frank's Place*, for instance: "I find it miraculous that they can, in 30 minutes, get in the feel of New Orleans, the wonderful music, the warmth and affection and have a drama—all in 30 minutes," he says. As for *Jake and the Fatman*, Redstone notes, "Every time that big 'V' comes on at the end, even if it costs us some deficit money, I enjoy seeing it."

Redstone has been anything but Hollywood's passive customer, however. As his wealth has increased, he's applied it to making a series of killings in studio stocks. He's made at least \$60 million in profits by selling large chunks of Columbia Pictures, Twentieth Century Fox and MGM/UA Home Entertainment Group at strategic moments when the likes of Coca-Cola, Marvin Davis and Kirk Kerkorian, respectively, were buying those companies.

Some said he was doing that again when, recently, he raised his Orion Pictures holdings to 26.8 percent of the company, at the same time multi-billionaire John Kluge was increasing his own Orion stake to 39.5 percent.

Or was Redstone aiming to add Orion to his stable of companies? "I don't think anyone with any brains and with the kind of position we have could rule out the possibility," he says. "But truly, it is not on our platter right now."

Even if Redstone sought to have and hold Orion, though, the objective wouldn't be to extend his reach into the world of theatrical films. "When I see the same number of people going to the movies over a period of 25 years—though admission prices have gone up—then I don't get carried away with the growth aspects of *that* industry," Redstone offers. "This is one of the things that made us willing to part with Fox, willing to part with MGM/UA Home Entertainment, willing to part with Columbia—and unwilling to part with Viacom. Because we see Viacom as the flip side of our concerns about growth in the motion picture business."

Just as he cast his lot with exhibition years ago, Redstone has now done it with the most diversified company in television. "Viacom," he says, "is everywhere it should be." ●

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WILD BLUE BOB

The former phenom of MTV, Bob Pittman, takes off anew at Quantum Media, still breaking all the rules and pushing the TV envelope.

Not for Bob Pittman the vagaries and boring food of commercial airlines. When Pittman set sail last February for the National Association of Television Programming Executives convention in Houston, he borrowed a friend's airplane (he had sold his own and is about to buy another), signed on co-worker Mayo Stuntz as co-pilot and headed south. When the two got hungry on the way, they put down in Knoxville, Tenn., made a phone call to one of the dozen cousins Pittman has in Holly Springs, Mississippi, not far from where he grew up, and ordered up a fried-catfish and barbequed-spareribs dinner for later on. Next stop: Holly Springs. Pittman and co-pilot finally arrived in Houston at 3 A.M. the morning of the convention, long after most executives had checked in and gone to bed.

But then, Bob Pittman, a founding father of MTV and now president and CEO of Quantum Media Inc., a New York-based entertainment company, has always done things differently. As a 15-year-old in Brookhaven, Miss., Pittman decided he wanted to learn to fly. His parents weren't fond of the idea, but like good Methodists (his father, in fact, is a minister), they told him he could take flying lessons if he could pay for them. So

Pittman went out and got a deejay job at a local radio station, and thus was an illustrious career in radio and TV born.

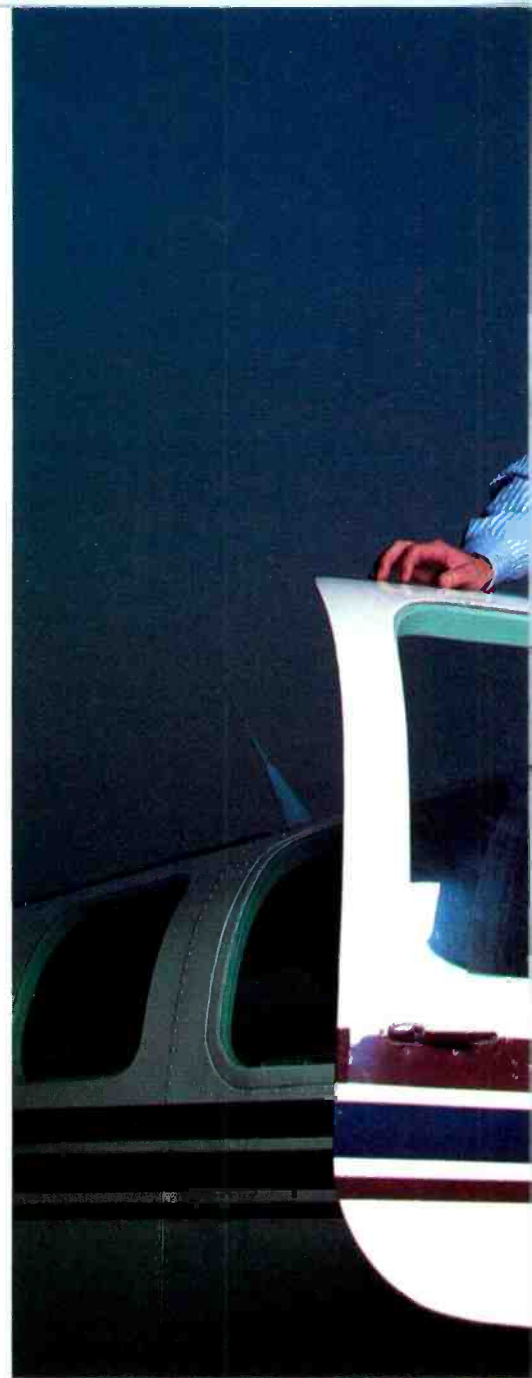
Prior to his MTV days, Pittman was known as a boy wonder in the radio business, a reputation based on his uncanny knack for turning dog radio stations into winners.

It was Pittman's expertise in radio that attracted cable giant Warner-Amex to him in its search for someone to create a new kind of television, unique to cable. At 23, Pittman went to work as a v.p. for Warner-Amex and set about creating pay TV's The Movie Channel and later helping put together MTV and Nickelodeon.

Pittman thrived at MTV, and nursed a vision of turning it into a broad-based entertainment company that would make movies, records and home videos as well. But after his 1985 leveraged-buyout of the company failed and he found himself working for Viacom, Pittman walked, taking \$2.3 million with him (the proceeds from his pre-Viacom MTV options).

He had been approached by MCA president Sid Sheinberg about MCA backing Pittman in a new company—the very kind of company Pittman wanted MTV to be. The deal, struck in short order, was this: MCA would own one half of the company,

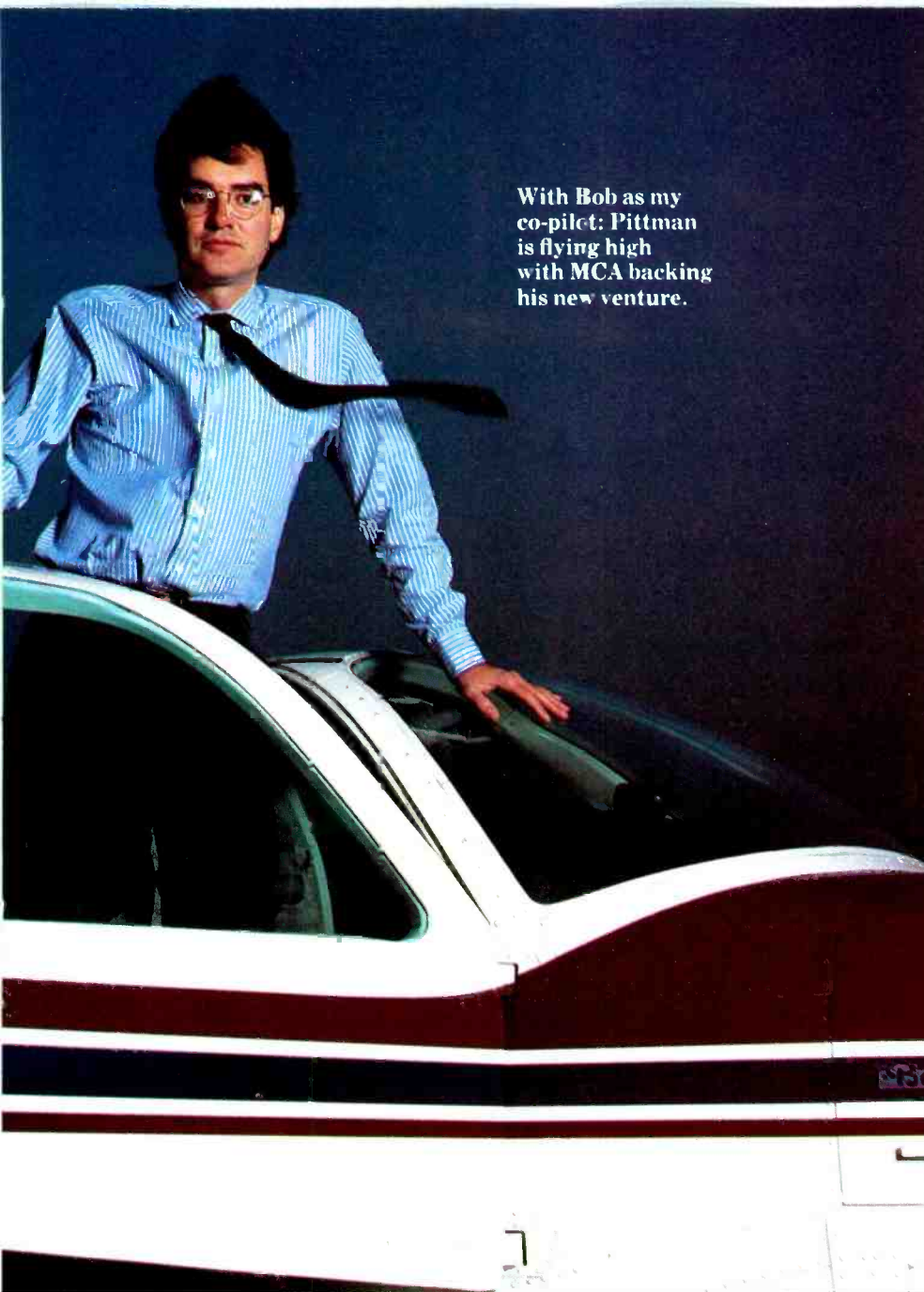
by Peter Ainslie



JONATHAN LEVINE

Pittman the other. MCA would fund it, Pittman would run it. The new company, which Pittman named Quantum Media Inc., after his abiding interest in quantum physics, would be involved in TV, movie, home video and record production—and who knows what else. Quantum opened its doors in January 1987.

MCA has given Pittman, now 34, remarkable latitude to acquire other companies he feels are undervalued and that Quantum could be successful with. MCA's Sheinberg makes no bones about why one of the nation's premier entertainment conglomerates would get in bed with Pittman, who has practically no production background: "He is a guy who brings that rare combination of creativity and innovation along with the business acumen, and finding young people like that these days isn't easy. There aren't very many around who, at his age, have the background and the unique width and



With Bob as my co-pilot: Pittman is flying high with MCA backing his new venture.

breadth of vision that Bob has.”

Pittman has already justified MCA's trust, netting Quantum \$12 million in an unsuccessful play for ad agency J. Walter Thompson last year. (A run at NBC's radio stations this year was also unsuccessful, but brought no consolation prize.)

The real excitement over Quantum, however, has to do with its two TV programs, the late-night, cinema verité-style cop-show strip that debuted last month, *The Street*; and the shout-'em-down, insult-a-minute mayhem known as *The Morton Downey Jr. Show* that has been on WWOR since last October. Both are vintage Pittman in that they defy the norms of conventional TV. *The Street*, shot on tape in downtown Newark, is a backseat view into the lives of two sets of night-patrol urban cops—hookers, deadbeats, raw language and all. Downey, who came to Quantum from a radio job in Chicago, is from the Joe Pyne school of

confrontational talk shows, excoriating guests, provoking the studio and TV audience. Pittman sees a common thread of realism running through both. “What TV does well is give you a sense of intimacy, that you are there. Yet most people use TV to get a detached, movie-production view of the world. With *The Street*, we do what the news does well, which is to get you right there in the middle of the action, give you a sense that, ‘My God, I’m eavesdropping, I’m the voyeur.’ With *Mort*, what most people find missing from TV is his realism. They find TV contrived, overly polite. Today, everybody talks back and says what’s on their minds. There’s friction, for better or worse, it’s the value system of our generation. I think *Mort* represents that. *Mort* is saying what the viewer feels, and he’s touching an emotional button. Whether you agree with *Mort* or hate *Mort*, it’s an interesting show to watch, because it’s a

show about real emotions, not contrived politeness.”

Although *The Street*, at \$50,000 an episode, costs far less than a network half-hour cop show, MCA will still take a loss in the show's first syndication cycle. “It’s the most expensive show ever brought to late-night, first-run syndication,” MCA-TV Enterprises president Shelly Schwab points out. MCA's agenda in deficit-financing the show, says Sheinberg, “is to create a market in late-night that would justify the kinds of costs involved. Stations don't look at late-night as a target of opportunity that should be subsidized and encouraged. They think, ‘What show can I get for no money?’ It seems to me there's a wonderful opportunity there.”

A number of stations agree. At NATPE, where *The Street* was a “go” coming in, thanks to 40-episode commitments from New York's WWOR and L.A.'s KCOP, stations in Boston, Baltimore, Pittsburgh and Detroit (where it will play between Carson and Letterman on the NBC affiliate) were among those to buy.

And so, with the 40 episodes in the can and a high learning curve under his belt, Pittman is turning his attention to other projects. Prime among them is the blind 13-week series commitment Pittman signed with CBS before Bud Grant departed. (Grant, now in a production venture with Tribune Broadcasting, says he can't recall ever giving such a commitment to an untried producer before. “It was an expression of our encouragement to Bob, that if he's going to have success, to have it with CBS.”)

But there's also Quantum's record division, which has five artists signed and one record released so far. And the movie division, which will get off the ground as soon as Pittman finds somebody to run it. And home video. The one release so far, a last-minute rendering of the Leonard-Hagler fight in music-video form, shipped platinum (50,000 units). But no more are in the works at the moment.

For now, Pittman will go to work each morning and nourish his little company, which includes three buddies who were executives at MTV and maybe 14 other people at this point. Through one of those odd quirks of fate, Pittman works these days in the same Rockefeller Center building, even in the very same office—with the very same office furniture and the very same coffee stain on the rug—that he inhabited while he was running MTV. They say lightning doesn't strike twice in the same place, but back in Brookhaven, they said a 15-year-old couldn't fly. ●

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 Smith

Powers Behind The Wire

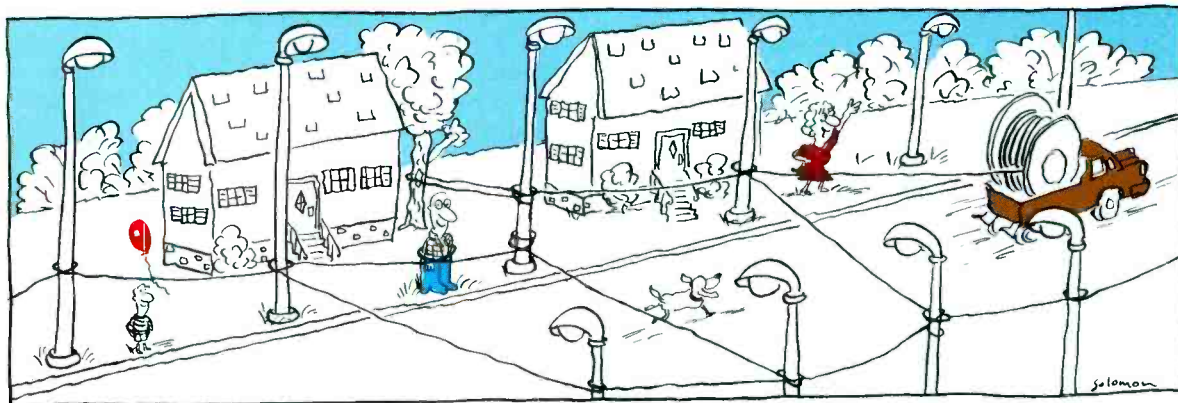
A maturing industry needs the agility to respond to new ideas and players, and cable has that. It also needs steady leadership. Does cable have that as well?

As our theme, What's Driving Cable, suggests, our In Focus section this month seeks to examine the people and the companies—as well as the larger forces—that are driving the industry today. In our annual Ten to Watch listing, we profile a group of decision-makers whose daily agendas set the tone—legally, financially, aesthetically, technologically and strategically—for the industry. It's a diverse group that includes, among others, Turner Network Television boss Gerry Hogan, HBO's high-definition advocate, Ed Horowitz and actress/producer and prime mover behind cable's new Think Entertainment, Shelley Duvall. What these people have in common is that each must call forth vision and daring in the coming months to meet the unique challenges ahead.

We also offer profiles of the industry's two largest system operators: a brief look at the vast reach and

influence of Tele-Communications Inc., captured in an unusual graphic representation; and a closer look at American Television & Communications Corp., Time Inc.'s quiet cable giant. ATC, according to *Channels* senior editor Kirsten Beck in her story "ATC: Gray at Twenty," is apparently in for a jolt of New York City adrenaline provided by the boys in the Home Office. Two other forces in the business, programming and ad sales, are covered in separate stories. In "TLC's Learning Curve," former *New York Times* business writer Sandra Salmans examines the origins and prospects for the increasingly upbeat Rosslyn, Va.-based Learning Channel. And in "Local Cable Advertising Comes of Age," *Channels* senior editor J. Max Robins looks at the growth of advertising sales at the system level, a phenomena that has finally got broadcasters worried enough to fight back. Taken as a whole, it's a revealing freeze-frame of where power lies in the industry today.

PETER AINSLIE





Who brings today's real-life issues to life?

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Nobody Brings It Home Like You And HBO

ATC: Gray at Twenty

ATC's caution has won friends on Wall Street. But in the cable industry, critics say it's time for ATC to come out of the shadows. **BY KIRSTEN BECK**

First you should know this about the corporate culture at the good gray eminence of cable, American Television & Communications Corp., the nation's second-largest cable operator.

- Company dress code. The ATC executive uniform is shirtsleeves and ties. Except for Fridays. On Fridays, company policy calls for no ties, and no scheduled meetings. It's a roll-up-your-sleeves day to get a running jump on the next week. "We've had better luck with no ties than with no meetings," notes James H. Doolittle, ATC executive vice president and chief operating officer, with a rueful smile.

- Company celebrations. On the occasion of the company's signing up its one millionth household in 1979, ATC threw a party for its own, the millionth subscriber couple and industry movers and shakers—in the theater of a local women's college. This year, ATC's 20th anniversary, the only public acknowledgment of the event is a small anniversary logo that appears on company letterhead. No public celebration is planned.

Small matters, to be sure, but indicative of the low-key corporate mien that has long been the hallmark of cable giant ATC, the MSO controlled by Time Inc. Even under its founder, cable-

industry pioneer Monroe Rifkin, ATC was known as a conservative company. And so it remains today, down to corporate headquarters' hunter green carpets and the executive wing's elegant maroon walls that display an impressive collection of contemporary paintings and sculpture. ATC's understated style telegraphs a message of success and solidity.

And that message reads loud and clear on Wall Street. There, ATC, with its subscriber base of about 3.7 million homes in some 650 franchise areas, is generally regarded by analysts as a solid, unadventurous company with excellent long-term prospects. Revenues for 1987 were \$714 million, up 12 percent over the previous year. Operating cash flow and operating income both rose over 20 percent during the same period, operating cash flow to \$286.7 million and operating income to \$162.9 million.

Nonetheless, last February its parent company, Time Inc., decided to send one of its own to corporate headquarters in Denver to become president of ATC. It was only the second time a top Time executive had gone west, in spite of occasional ATC talent having moved east. The appointment of E. Thayer Bigelow, Time's chief financial officer, raised a few eyebrows, given the household of homegrown executives resident at ATC headquarters. "I'm sure they would have been happier with one of their own," says a former high-ranking ATC executive. The imposition of New York talent on a company sometimes called the Harvard of cable (thanks to the many ATC-trained executives who have moved out into the industry) was a clear sign that Time was not completely satisfied by ATC's performance.

It isn't that the company is in trouble, insists N.J. Nicholas Jr., Time Inc. president and chief operating officer. Time simply "wants some traditional New York City, Time Inc. influence at ATC," he explains. Nicholas, whose corporate slimming program has won him the title Nick the Knife among Time employees, declined to specify what portions of

Time's fabled culture he wishes to see wedded to ATC's corporate ways, but a number of cable executives familiar with ATC's operating style suggest procedures there could benefit from a little slimming.

Not that ATC has neglected to revitalize its corporate culture; indeed, several years were spent in the early '80s effecting a deliberate 180-degree turnaround in company organization and managing style. The transition from its centralized, autocratic corporate culture to an open, decentralized operating process wrought dramatic change at the company.

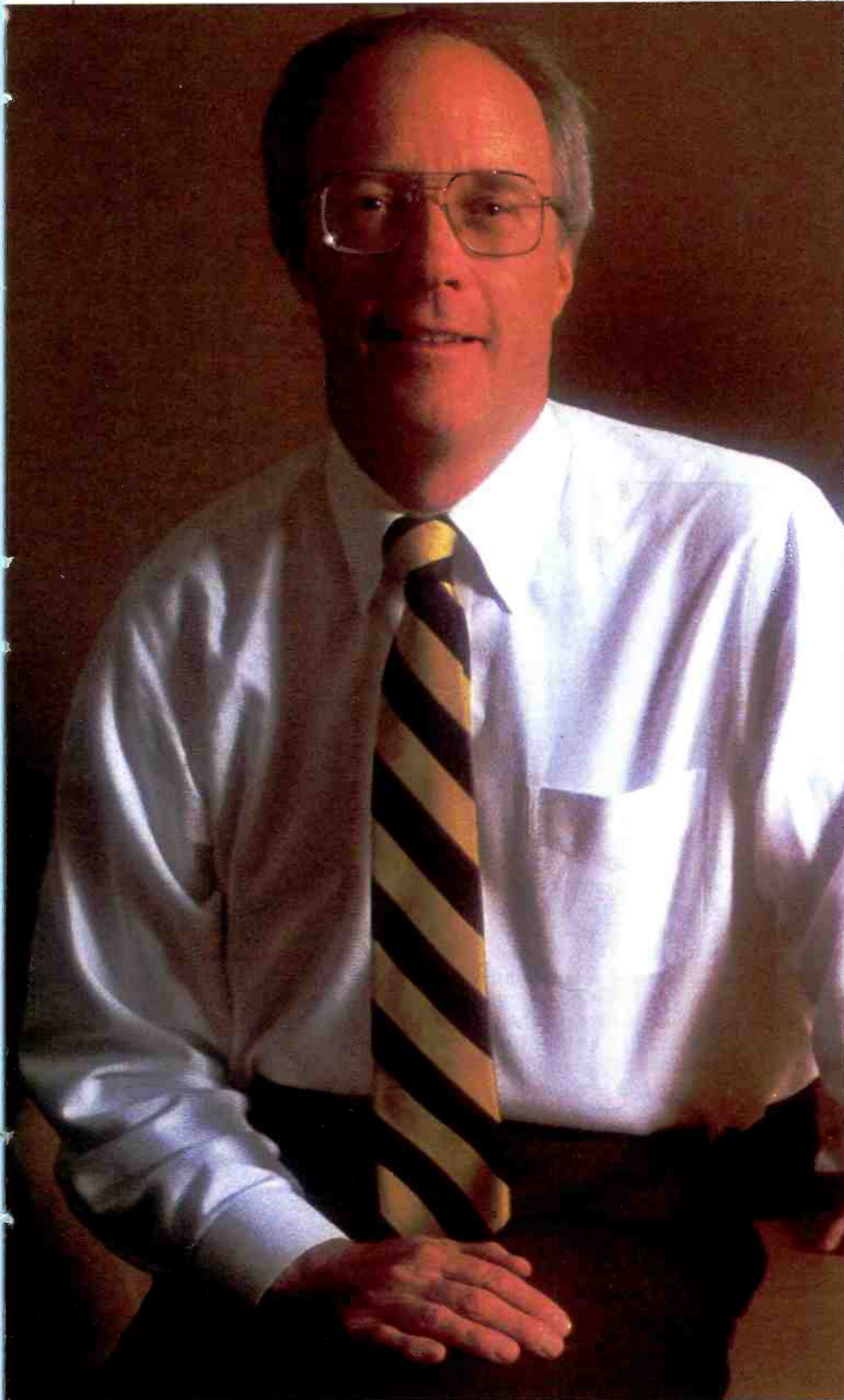
I discovered I was making some 25 significant decisions each day—from rebuild decisions to rate increases—and we had only about 1.5 million subscribers," recalls ATC's Doolittle, who was then senior vice president for operations, the person to whom all the regional v.p.'s reported. "If we had continued that way and continued to grow," he adds, "people around here were going to burn out." One regional manager, who had departed the company by the early '80s, recalls that during his years with ATC, every check over \$1,000 had to be approved by three levels of management and personally signed by company founder Rifkin. Over an 18-month period, ATC stripped away two nationwide layers of management in a move to decentralize company authority.

In addition to valuing openness and participation, Trygve E. Myhren, ATC's chairman of the board and chief executive officer, has chosen to foster a "collective style of decision-making," says executive vice president Kevin H. Rorke, who chairs the company's policy committee and is a member of the top management committee (made up of Myhren, Bigelow and four executive vice presidents), which makes policy decisions. Rorke acknowledges this management process may take a little longer than others, but he argues that a long, formal chain of command can consume precious time as well.

ATC'S STEADY ASCENT

YEAR	REVENUE (thousands)	NET INCOME (thousands)
1988*	\$795,000	\$81,000
1987	714,390	49,472
1986**	637,348	40,374
1985	520,707	34,205
1984	453,436	27,267
1983	372,698	12,830
1982	275,849	9,200
1981	212,225	14,686

* Source: Donaldson, Lufkin & Jenrette
 ** Restated to include Manhattan Cable Television Inc., which was transferred from Time Inc. to ATC on March 18, 1987, in exchange for 9.4 million shares of ATC Class B Common Stock.



Myhren, in typical ATC corporate garb: His collective style of decision making has changed the culture.

Opinions vary on the impact of these changes. Supporters of open management in and out of the company say it's a valuable method for assuring company-wide participation in identifying goals as well as assuring employee motivation. It may be responsible for the remarkable loyalty and commitment found among ATC staff, former and present. Myhren contends that ATC has "taken the dreadfulness out of committees." And, says a former v.p., the company's cautious decision-making, which comes only after methodical research and analysis, will keep it out of trouble.

But ATC appears bureaucratic to many outside suppliers and business partners, who are often baffled by its culture. Says one programmer, "You don't start and finish your negotiation with the same person. If it takes three months, you may talk to four different people. You may be close to a deal on price only to have someone ask you for exclusivity and protection from overbuilds."

A source in the brokerage community has concluded after years of dealing with ATC that there are structural barriers to speed and flexibility within the company that slow analyzing and bidding on potential acquisitions. Another says the company is simply "lethargic." But a third points out that even rival TCI, noted for its deal-making speed, can take three months to analyze a small deal that does not command the president's attention. This broker, who requested anonymity, does give credit to ATC for holding true to its priorities and for not paying "stupid prices," but concedes that the company is "cumbersome." A company insider's somewhat harsher characterization of ATC's decision-making style: "constipated."

John Tinker, Morgan Stanley analyst, sums up the attitudes of some of his colleagues, saying, "ATC is the better cable operator, but is not in the same deal-making league as TCI. ATC believes they'll be in the business for a long time and they're very careful. TCI just gets as much out of the subscribers as it can and puts in as little as possible." Tinker speculates that the real risks in cable are not so much financial ones as threats of reregulation or technological challenges, and he thinks TCI is best positioned to respond quickly.

TCI has not always been considered to be "in a different league." Ten years

RICHARD GOLDMAN

Kings of Clustering

In 1981, ATC conceived and implemented the concept of clustering cable systems geographically to accomplish market efficiencies. Time Inc. executive vice president Gerald Levin recalls that the concept originated with Trygve Myhren, who today predicts that each market will eventually be served by a single cable system. He defines "cluster" as a large position in any metropolitan area, and ATC, he says, is currently better clustered than any other cable company: 83 percent of its customers are clustered. Sixteen of its clusters are within the top 50 ADIs.

But ATC's highest priority in developing a growth strategy is to increase penetration in existing systems. The next highest priority goes to extensions of existing systems. ATC at one time refused to wire areas with fewer than 40 to 50 homes per mile; now that figure is down to 30. The reasons: per-subscriber construction costs are roughly half those of purchasing existing subscribers. Furthermore, ATC figures it can preempt competing technologies as well as other cable operators that might be eyeing unwired areas of ATC franchises.

Purchasing systems is ATC's least preferred growth strategy, says Myhren. And when an acquisition is targeted, it is most often a system in one of ATC's already established cluster areas. "In a cluster we might pay prices that would shock you; we've paid over \$2,000 a sub in such situations." As the number of systems coming on the market decreases, and as industry consolidation increases, trading subscribers, though notoriously difficult, may become key to implementing Myhren's plan to be the sole cable operator in ATC's metropolitan areas.

Of secondary interest is a major acquisition that would set the company up for new clusters. "We won't go as far out to get a major acquisition as TCI will, unless it is a cluster," says Myhren. "On a major acquisition that doesn't fit, we may not take the level of risk a TCI would take. We'll come close, but . . ." K.B.

ago, when Time Inc. bought ATC, the company was on the verge of celebrating its millionth subscriber and close to becoming the country's largest cable operator. During its early years under Time's wing, ATC did grow to be the industry's largest operator. But it soon lost the number one spot to its aggressively acquisitive Denver neighbor, TCI, which has lengthened its lead over ATC each succeeding year.

ATC is now number two, with 3.7 million subscribers to TCI's approximately 8 million. Since becoming number one, TCI has grown fast, gobbling up systems at a furious rate while ATC has taken a different course.

Although the leadership at both Time and ATC denies that losing first place matters, industry executives close to the company say "ATC doesn't want to drop to third or fourth place." And, "they don't want a huge gap between them and number one," adds a former ATC executive, implying that the company may feel both its business prospects and its industry stature jeopardized

by dropping so far behind the industry leader.

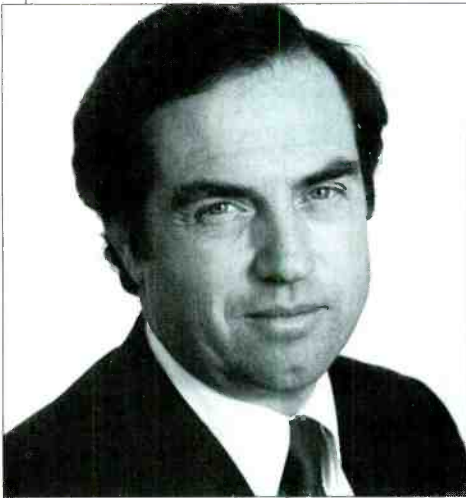
Some Time and ATC executives bristle in private at the repeated comparisons between TCI and ATC, and try to curtail discussions of ATC's number two status by dismissing top-ranking TCI as a money manager intent on amassing assets, while pointing to their own strategy of managing and nurturing their cable systems. "This is a different kind of company; this is an institution that's going to be around," says Time president Nicholas. Furthermore, he notes, ATC never wanted to be the largest cable operator; profitability and rate of return are more important. Myhren patiently explains that ATC has all the advantages it needs at its current size, including programming discounts and a measure of industry influence. Gerald Levin, executive vice president, who headed Time's video group from 1979 to '84, says, "It was never a burning issue to be number one, but it *was* important to be a leader in the cable industry." And, by almost any

measure, ATC has been an industry leader and a sound financial success as well.

ATC and chief executive Myhren took a leadership role in the early '80s when the National Cable Television Association was pushing through national cable deregulation legislation. Tom Wheeler, who was NCTA president at the time, points to Myhren as the cable executive who invested the most effort in passage of that legislation. "He was an important leader, with a rational approach to consensus building inside the industry." Some believe that without Myhren's ability to unify other industry leaders, Wheeler's and the industry's legislative efforts might have failed. Myhren served as NCTA chairman in 1986.

But now that cable's legislative juggernaut is largely over, some cable executives question ATC's current industry leadership, or lack thereof. "They are the second largest operator, and yet they don't seem to take leadership positions," complains one industry colleague. Others speak with more venom, declaring that with TCI rolling around like a loose cannon, the industry needs a company with clout willing to take a leadership role, to counter TCI's arrogance. ATC, they charge, is unwilling. A number of them complain bitterly that ATC, because of its 82 percent ownership by Time Inc., must first represent the company's interests, while at the same time it is encumbered by Time's ownership of pay programmer HBO. Critics question whether Time Inc.'s passionate commitment to First Amendment issues coincides with cable's best interests. A perfect example of this, they maintain, is ATC's Erie, Pa., case, now on appeal. Although ATC argues that the case has been very carefully drawn to provide relief from an onerous franchise-fee dispute, critics maintain that pursuit of the case makes it appear the industry is again backing down on franchise agreements.

To be sure, ATC elicits such strong reaction because it does have clout. As a fellow cable operator put it, "TCI is the bigger power, and ATC is the more persuasive, logical, urbane company." The MSO executive says, "If we as an industry have something that must be dealt with in Washington, give me ATC and Time Inc. any day; TCI is from the mountains. They swashbuckle, and that's not good for the industry." But the fact remains, many doubt ATC's



Bigelow moved from Time to ATC last winter.

resolve to act, and others are aware that Time Inc. keeps ATC on a well-controlled company leash.

One Time move that few have questioned was the 1986 decision, described by some as brilliant, to spin off 20 million shares of ATC at \$18.50 a share in an initial public offering, netting \$350 million on the sale. The move simultaneously increased the value of Time shares (which until public valuation of ATC had not reflected the cable operator's true worth), while permitting ATC to make acquisitions off Time's balance sheet. Following the offering, an under-leveraged ATC was well positioned to borrow, to issue equity on its own and to make acquisitions.

At the same time, the stock offering was structured to allow for considerable dilution before Time would lose effective control of ATC. Two classes of stock were issued: Class A, with one vote per share, is held by the public, and Class B, with three votes per share, is held entirely by Time Inc. The value of ATC shares fell to a low of \$14.50 in November of 1986, then rose to a high of \$29.63 the following August. In March, the company's stock was trading at around \$24.

Following the public offering, Myhren confidently predicted to the press, "Without our hands tied financially, we're positioned to make big acquisitions. We're raring to go." And ATC did go after the Storer properties in consortium with TCI-Bass and Comcast, only to see the deal fall apart in February. (Its purchase of part of the Group W cable system had preceded the public offering.) At the same time that the

Storer deal was coming apart, Myhren pegged ATC's unused debt capacity at over \$1.2 billion.

Myhren admits, "We've absorbed a fair amount of criticism for not being as aggressive as TCI, but boy, we've grown like crazy. Yes, we have missed out on some deals: We lost Wometco to the Bass brothers; on Heritage we came in number two. And we have paid over \$2,000 per sub in cluster situations. But with very large acquisitions, we are going to be very cautious."

ATC takes pride in its identity as an operator prepared to invest in hardware, customer service, marketing and programming. The company is committed to development of optical-fiber backbones for all its systems by the early '90s, and implementation is expected over the next five to ten years.

Customer satisfaction is measured regularly in all systems, and employee compensation is tied, in part, to those results. ATC has been moving eagerly into local advertising and expects 20 percent yearly increases overall in local ad income into the foreseeable future. The company is also pushing into the development of local programming. Local news operations have begun in Ithaca, N.Y. and in Council Bluffs, Iowa.

When asked whether, like TCI, ATC will ever be permitted to make substantial investments in national programming, Time's Nicholas declares forcefully, "ATC is not a national programmer. They have zero programming skills." And a few minutes later he adds, "I think Time Inc. will do that. We don't distinguish between which company [HBO or ATC] does something. The question is, Is Time Inc. doing it?"

The acid test for determining whether ATC will buy into a program service, according to ATC executives, is, "Will a service happen without ATC's investment?" But other operators point out that it is TCI that has on numerous occasions rescued cable programmers who would have gone under but for its well-timed help.

Gary S. Bryson, executive vice president, strategic planning and administration, cites the cable-consortium-owned Home Premiere Television as an example of a service that would not have happened without ATC's investment. Other programming involve-

.....
Says Myhren: 'We've absorbed a fair amount of criticism for not being as aggressive as TCI, but boy, we've grown like crazy.'

ments are mostly equity for subscribers, says Bryson, as is the case with CVN, The Fashion Channel, The Travel Channel and Movietime. However, ATC says it is well positioned to take advantage of pay-per-view programming, since it currently has the largest number of addressable homes among MSOs. By 1990, ATC expects that Home Premiere Television will be able to reach over 800,000 addressable ATC homes.

In each step it takes, ATC's careful, deliberative style shows. Edward T. Hatch, Merrill Lynch media analyst, says ATC has good managers from the Time Inc. mold and a large proportion of subscribers in high income, densely populated urban areas. ATC is readying addressable capacity, which TCI is missing, but "you don't get points for being conservative in cable management," he notes. "ATC is preparing itself for the longer view of the business—to be an operator—and consequently has a more conservative style than TCI."

Many wonder whether Bigelow will add flash and sizzle to this quiet, gray company. Others speculate that Bigelow arrived with a mandate to speed things up and slim ATC down to fighting trim. When asked what it is that best prepares him for his new position, Bigelow cites three management experiences: participation in strategy decisions to divest Time's forest-products division; making large acquisitions such as the Group W cable systems; and establishing a cost-cutting program. There may be little flash and sizzle in his list, but it appears that Time has sent a man practiced in making the tough organizational decisions required by a company in transition. And whether or not he actually slims down the company any further, he may well inject a little of the infamous New York City pace into the Denver corporate culture of ATC. ●



Ten to Watch

Pushing high-def, pulling off a new launch, making deals, breaking molds: All this and more is keeping the adrenaline flowing for *Channels'* ten high-steppers in cable.

Stewart D. Blair, United Artists Communications. Although Stewart Blair professes to play "Luke Skywalker to John Malone's Darth Vader," in mid-March, as president of UACI, he inched closer to playing the mogul, fielding phone calls and interviewers from his Manhattan hotel suite just moments before the long-awaited announcement of the UACI-United Cable merger. Blair will be vice chairman of the newly formed company. United Artists Entertainment (the merged company) will be the third largest cable company in the country, and its ownership of over 2,000 movie screens (expected to grow to 3,000 this year) makes it the largest theater chain in the U.S., with 9 percent of the market. Before the merger, Blair's company had established a theatrical distribution arm, and the week of the merger he announced a movie production company. Although he downplays this industry integration, speaking only of its cross-promotional benefits, analysts note that Blair, 38, is looking for Hollywood leverage. At the very least, UAE will be a major Hollywood buyer on both the cable and theatrical fronts, and the production company will doubtless supply films to cable. Blair, a Scotsman, worked for Chase Manhattan in London and New York before John Malone enticed him to Denver as TCI's director of finance in 1981. Blair became president of UACI, which is 65 percent owned by TCI, in 1986.

KIRSTEN BECK

Robert Clasen, Comcast. The long-awaited sale of Storer's cable systems to a consortium of MSOs fell through with a thud last February, but Comcast Cable Communications, the nation's seventh largest cable firm and a member of the buyers group, didn't miss a beat. Just two days afterward, Comcast's 43-year-old president and CEO, Bob Clasen, met with his executives to discuss other system acquisitions. So began a new phase in the metamorpho-

sis of Comcast into one of cable's leading MSOs, a process that Clasen, a former Rogers Communications v.p., has the job of overseeing. Comcast embodies cable's recent consolidation trend. With the Group W acquisition in '86, along with other single systems, Comcast has 1.5 million subscribers and monthly revenues averaging \$25 each. "It's one of the highest-quality operators in the business," says Drexel Burnham's Jeffrey Russell. Much credit goes to the soft-spoken Clasen, who joined Comcast in '84 with a mandate to grow cable from 460,000 subs to 2 million, while moving per-sub revenue to \$30. With \$220 million cash in Comcast's pocket, Clasen also plans an aggressive move into programming, an area in which Comcast has lagged behind its peers. But first, explains Clasen, echoing the company's characteristic conservatism, "We wanted to understand the business we were in." CECILIA CAPUZZI

John Cole Jr., Cole, Raywid & Braverman. He's been dealing with legal issues in cable TV for more than 30 years, but Jack Cole, the closest thing to a superlawyer the industry has seen, hasn't lost his passion for fighting the good anti-regulatory fight. Cole, 57, managed to overturn cable's must-carry rules in 1985's landmark *Quincy v. FCC* case, and again in last year's Century Communications suit. And if the rules are reinstated, a prospect Cole calls "possible," he'll fight them yet again. Although that issue is apparently settled, Cole won't exactly be sitting on his hands. Potential grist for his legal mill includes telco involvement in cable TV (Cole is dead set against it, claiming it introduces an element of unfair competition and that "they've got enough difficulty providing quality telephone service"); copyright and compulsory-license questions ("Always in the area of potential warfare"); and operator equity in program services. Right now, though, Cole is focusing on the uneasy

relations between cities and cable operators. Having largely lost the ability to regulate cable, cities are looking at franchise renewal as a way to get at operators. "It's a very real hammer that cities still have," says Cole. "My objective is simply to keep cities from abusing that hammer." PETER AINSLIE

Bill Daniels, Daniels & Associates. "The father of cable" is going back to what he did at cable's birth: deal-making. He'll close the \$190 million sale of his cable systems to United Artists as early as June and turn to managing his brokerage business, a move that will be watched from Wall Street to Main Street. Although Daniels, 67, was the first major cable broker, the field today is crowded with giant Wall Street firms and smaller start-ups, and Daniels' market share has slipped. He admits that when the firm was both operator and broker, some clients felt that the brokerage handed the best deals to Daniels' MSO. The system sale ends that problem. Daniels says that only about 2 percent of the brokerage's deals went to his MSO, but the charge was worrisome. "My integrity means too much," he says. "Competitors used it against me, and even my friends warned that we had a conflict." The firm will move into a new home with 37 people and room for 60, compared with the old company that employed over 1,200. Daniels says he won't miss the large firm's personnel problems "one iota," and he'll devote "more time to what we do best. We invented cable banking and brokerage. Our name has been around a long time. We have a great group of young tigers that I've trained." And Daniels' influence in the broader business won't ebb. He retained the stock the firm holds in Turner Broadcasting and will be TBS's second largest individual shareholder. MERRILL BROWN

Shelley Duvall, Think Entertainment. She brought new life to fables in Show-



Top row (l. to r.):
 Stewart Blaik, Bill Daniels, Geraldine
 Laybourne, Robert Clasen.
 Bottom row: Tom Rogers, John Cole, Shelley Duvall, Ed Horowitz.
 Center: Gerry Hogan.
 Opposite, top: John Malone.

time's (and home video's) *Faerie Tale Theatre*, but in the process helped shatter at least one fairy-tale maxim: "There are no longer only three wishes: ABC, CBS and NBC," she says. Now four top MSOs have committed to fund Duvall, one of television's acclaimed producers, in the first production company dedicated solely to cable—and, she says, to Hollywood's creative talent untapped by the old-line networks. TCI, United Cable, United Artists Communications and Newhouse Broadcasting have pledged some \$2 million to cover Think Entertainment's overhead for the first year, and an undisclosed

amount for development of projects ranging from children's programming to sports, documentaries and movies. Ready acceptance seems at hand. Ted Turner's TNT network quickly announced a deal for shows, and the Discovery and Disney channels are talking with Duvall. Her role as CEO and chairman of what could become a powerful industry force is in keeping with her involvement on both the business and creative sides of programming. She's a governor of the National Academy of Cable Programming, and more than a year ago approached Coca-Cola to seek backing for a new basic children's net-

work that would challenge Nickelodeon. When that stalled, she pitched Think last August. Now audiences will see if she can create another *Faerie Tale Theatre*.
 NEAL KOCH

Gerry Hogan, Turner Network Television. Ted Turner is known for taking risks, but the fate of his latest gamble, Turner Network Television (TNT), rests squarely on the shoulders of Gerry Hogan. Hogan, 41, has both Turner's ear and the Turner drive necessary to launch one of the most ambitious endeavors in cable history: creating a major national entertainment service.

Hogan left TBS, where he had been since 1971—of late as head of TBS sales—to do consulting. But last fall TNT pulled him back, “because I saw TNT or something like it as a real opportunity, and Turner spent a lot of time talking me into coming back,” he says. “I love start-ups.” Before TNT’s October 3 launch, Hogan needs to rebuild the old Headline News facility, assemble programming and hire up to 100 people. Then all he must do is begin production, build TNT’s subscriber base to the goal of 30 million homes and try everything he can to distinguish it from the superstation. At start-up, the two will look similar—a mix of the TBS film library and off-network fare, with TNT’s focus on classics. But with a budget built on both operator fees and ads, the prospect for a big development budget lies ahead. “Ted has had this dream and it’s why we acquired the library. That dream will be stamped across TNT. In no way is this a Hogan network.” But Hogan shares Turner’s credo, having dubbed his TBS sales force the “pirate ship of broadcasting.” M.B.

Ed Horowitz, HBO. Cable’s strongest advocate of high-definition TV admits that he may be “driving people crazy” on the subject, but he says it’s for their own good. With high-def VCRs headed our way, cable must offer a “stellar” picture to compete. And, adds Horowitz, “HDTV is stellar.” As HBO’s senior v.p./technology and operations, he sounded an alarm in cable with an influential white paper last June. In March, he and other cable leaders met with Japanese firms developing high-def consumer gear to make sure it can be fed by cable. It won’t matter, he says, if broadcasters and cable adopt different transmission systems, since a consensus is growing that high-def monitors should be able to handle various inputs. HDTV isn’t the first technology issue on which Horowitz has taken the industry lead. In 1983, after HBO was the first to announce it would scramble, its chosen technology, VideoCipher II, became the de facto standard. Back in HBO’s infancy, when Horowitz was arranging microwave links, he sometimes signed up operators and planned the microwave setup all in one visit. Co-workers dubbed him Mad Dog Horowitz. Says one: “The guy is *very* tenacious.” Since he joined HBO 14 years ago, Horowitz has held high sales and corporate posts that, he’s not too shy to suggest, pre-

pare him for general management. But for now, his present job will do nicely. It’s not just wires and transponders but “strategic technology,” he says, that has a lot to do with HBO’s—and cable’s—future. STEVE BEHRENS

Geraldine Laybourne, Nickelodeon.

She didn’t start out intending to head the nation’s only TV network for kids. While training as an architect, Laybourne, 40, decided that children’s TV programming was simply a more interesting field. “I was a spatial dyslexic,” she laughs. “Architecture didn’t seem like a promising career.” Lucky for Nickelodeon. She’s been with the nine-year-old network for eight of them, heading it for the last four. Since ’86, she’s served as executive v.p. and general manager. Under her stewardship, Nick has grown into one of cable’s most recognizable and successful services. With the recent syndication of *Double Dare* and *Finders Keepers*, Nick is “making a statement” about the quality of cable programming, says Jeff Wayne of Colony Communications. “That broadcasters are looking to Nick as a programming source is a very positive development.” And the financial news is just as rosy: From 1986 to ’87, revenues rose 32 percent, operating cash flow 75 percent (while decreasing 18 percent at sister service MTV). Laybourne had battled critics who complained that ad-supported Nick would become a dumping ground for product-driven kids’ shows. But by now she has won over even the strictest watchdogs: “She came into Nick understanding the business *and* the media,” says Action for Children’s Television president Peggy Charren. “What she has [that many at the networks don’t] is a respect for children.” C.C.

John Malone, Tele-Communications Inc.

He’s been called the King of Cable, and TCI indeed has accumulated a princely debt of \$4.7 billion. Malone’s biggest challenge this year: to go *deeper* in debt, which TCI plans to do by borrowing \$300 million from a consortium of international banks. On the domestic front, however, Malone can always call in a few chits. “He’s sort of a Godfather of the industry,” says J. Patrick Michaels Jr., chairman of Communications Equity Associates “Everybody owes something to John.” And a number of them gave it to him—in the ribs—at a recent industry roast. Calling him a

man “Will Rogers never met,” Turner Broadcasting’s Mary Alice Williams dubbed him “chairman of the Good Guys Finish Last Foundation,” and said he is “to compromise what Gary Hart is to self-denial.” Malone is one of those low-key, modest executives worth upwards of \$40 million, with several homes and a collection of antique cars including a \$350,000 Mercedes that belonged to Gary Cooper. The Cooper-mobile seems particularly appropriate: Malone’s entrance into a deal usually spells high noon for competitors. “When I look in the mirror I see a nice guy, flexible, reasonable,” he told *Channels* a couple of years ago, explaining he was a mediator trying to make peace in the cable universe, adding, “Of course sometimes you have to kick the shit out of people to be a peacemaker.”

J. MAX ROBINS

Tom Rogers, NBC. The point man for NBC president Robert Wright’s expansion into cable is a tall 33-year-old from Capitol Hill. Since he joined NBC in January ’87 as v.p./policy planning and business development, Rogers has talked deals with dozens of cable firms—for naught with Ted Turner last fall; successfully with the Interactive Game Network, a young company that now has Rogers on its board and NBC cash in its pocket. “The opportunities are out there, but there’s no easy deal to be made,” Rogers says. NBC eyed a role in cable’s ten-month-old Movietime Channel a few months ago, for example, but cable investors were wary of NBC—and Wright didn’t want a small piece of a small cable service. “There’s a rigorous analytical process that Bob forces us through,” says Rogers. “We’re not here to make a cable deal just to make a cable deal. It has to make long-term sense.” Rogers and cable executives got to know each other while he was senior counsel for Rep. Tim Wirth’s House telecommunications subcommittee from 1981 to ’86. The panel not only updated the Communications Act of 1934, but also passed the 1984 Cable Communications Policy Act, voiding most local cable regulation. The subcommittee needed consensus for every step, Rogers found. “He’s plenty tough,” one cable lobbyist says of Rogers, “but he’s not afraid to find out what the other side might want.” When Wirth moved to the Senate, Rogers opted out of the Capitol for a role in updating NBC. S.B.

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TLC's Learning Curve

Marketing wasn't its forte, but to stand out in TV's clutter, The Learning Channel took a lesson from its network brethren. **BY SANDRA SALMANS**

In an industry that has seen more than its share of hype and promotion, The Learning Channel is a distinct oddity. As cable television's only national educational programming service, The Learning Channel isn't exactly accustomed to the limelight. Take, for example, the day last November when TLC was nominated for an ACE award—cable's version of an Emmy: Its quiet corridors in a nondescript Rosslyn, Va., office building erupted in cheers. And when TLC later *won* the award, for its independent-filmmaker series, *The Independents*, operations at headquarters practically ground to a halt. For days before and after the Los Angeles ACE awards ceremony in January, TLC's chief executive officer, Harold Morse, and its president, Robert Shuman, were out of reach. "They're going to the ceremonies in Los Angeles," explained a public relations officer. "We've been nominated for an ACE."

For other cable networks, a single nomination for an ACE would be welcome news, but hardly reason to disrupt daily operations. (Arts & Entertainment, for example, received 35 nominations this year.) But there's an innocence about the folks who run TLC—a throwback to the industry's simpler days when it didn't *really* matter how many people watched as long as the service's mandate, to serve a highly targeted audience with specialized programming, was fulfilled.

But things are beginning to change at The Learning Channel. They have to. Though more than 900 cable systems provide TLC to subscribers, many need prodding: "It's a service that has a lot of potential, but we haven't made it our highest priority," acknowledges Jerry Maglio, executive v.p./marketing at Daniels & Associates. Adds Arnie Semsky, executive v.p./media for ad agency BBDO, "The programming in most cases is very good, but distribution is spotty. That's hurt them more

Sandra Salmans is a writer living in Washington, D.C.



ACE-in-the-hole: Filmmaker Paul Mazursky hosts TLC's award-winning series *The Independents*.

than most cable services because they're so targeted."

Earlier this year, TLC budgeted \$2.1 million for a full-scale marketing and promotion campaign directed at cable operators and, via such publications as *TV Guide* and *USA Today*, at consumers. It is also pushing to increase its small base of advertisers. TLC must ensure that it becomes an industry mainstay, and it must do so while holding on to its identity as an educational-programming channel—not exactly the stuff of flashy television. Not that anyone there wants to be confused with network prime time. That's something TLC officials volunteer repeatedly: "We're not looking to be Bill Cosby," says Shuman. "I don't want to compete with Bill Cosby," insists Dr. Earl Brian, chairman and chief executive officer of Infotechnology Inc., the New York venture-capital firm that is a sizable investor in TLC. (Through another firm, Brian recently took over the operation of United Press International.)

TLC doesn't have much to worry about on that score. A basic cable service, it offers primarily adult-oriented

educational programming. That means hour upon earnest hour of shows like *Survival Spanish*, *Principles of Accounting* and *Journey Through the Solar System*—the kind of stuff Cliff Huxtable might insist that his family watch.

As the people at TLC readily admit, their kind of television is not the stuff of stratospheric ratings. But in the past year, with the doubling of its programming to 20 hours daily, TLC's numbers have begun adding up nicely. Nearly 11 million households in 930 systems had access to TLC by the end of 1987, and Paul Kagan Assoc. is projecting 14 million households for 1988. In fact, Kagan shows a 25 percent compound annual growth rate for the service, among the highest on cable. TLC is projecting 20 million subs by the end of next year.

What TLC has benefited from most, in the view of its management, is the crisis in education. It is because of that, maintains the 51-year-old, low-key Morse, that TLC's time has come. With the frenzy over America's lack of competitiveness, education has emerged as a front-page story. "Our society is

never going to be able to train enough teachers to fill the gap we have in the schools now," says Morse, seated at a table in his office. "The gap is so large that these new delivery systems for education will become permanent."

The need for education via TV is not limited to schoolchildren. Demand is growing at the other end of the educational spectrum too: graduates who need professional certification, and adults who can't read. Of the latter group Morse notes, "The Learning Channel has a great opportunity to reach into the homes where these people sometimes closet themselves."

Now TLC's message to cable operators is that it can help reach those in need of such services as well as the so-called cable unpenetrables—light television viewers who protest that they watch virtually nothing but public broadcasting. TLC is circulating a study that shows its typical household head is older (51 years), more affluent (one-third of households had annual incomes above \$50,000) and better educated (more than half had attended college) than the typical TV viewer.

Operators admit TLC's pitch has some validity. "Every piece of research we see shows that education and learning rank high in program preferences," says Collie Burnett, director of marketing for Prime Cable in Atlanta, which has carried TLC from its inception. "In terms of use, we know that's not strictly true, but it still ranks high in consumers' minds."

But the sell to systems is often difficult. "Where we don't have excess channel capacity, the decision about what service to carry is agonizing," says Ted Livingston, senior v.p./marketing at Continental Cablevision, where perhaps 150,000 of its 1.5 million subs receive TLC. "TLC doesn't have a high profile. If an operator has to create awareness for the service, there's less chance it will get carried."

TLC is one of those rare examples of a government enterprise that has made a successful transition to the private sector. It began in 1972 under the auspices of the onetime Department of Health, Education and Welfare and the National Aeronautics and Space Administration. The project used a NASA satellite to deliver teacher training programs to isolated regions of Appalachia. It was the first time satel-

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 "We didn't wait
 two secs, we said,
 'Grow it,' " says
 Dr. Earl Brian,
 recalling TLC's board
 vote to plow
 profits back into
 the network.



lite technology had been used for educational purposes, and it was directed by Morse, then a newly minted Ph.D. in education and psychology.

Designed as a one-year experiment, the project was so successful that it was extended to the Rocky Mountain area and Alaska. Its programming was broadened and the government began investigating ways to take it private. In 1980, it was spun off as the Appalachian Community Service Network (ACSN), with a few million dollars in government funding to ease the transition. Then Ronald Reagan was elected. Government funding was slashed, and ACSN had to make it on its own.

With the channel's dwindling pile of cash, Morse went out and bought a transponder on a commercial satellite, and later in '80 The Learning Channel, as it was renamed, went nationwide. (ACSN continued as the channel's non-profit parent.) At first, TLC was carried in 100,000 households. The initial plan was to give the service away until 1983 or 1984. But in 1982, with 500,000 subscribers, TLC told operators to pay a nickel per household per month. No one

was more surprised than Morse when they anted up.

A nickel here, a nickel there, and pretty soon TLC was talking about real money. With subscriptions climbing, fees from cable operators accounted at one point for 70 percent of TLC's operating budget. (That figure has slipped to about 55 to 60 percent, as the channel has mined other sources of revenue.) A little more money came from teleconferences it produced for such organizations as Control Data. And there was a smidgen of advertising revenue. In 1985—on schedule—TLC edged into the black.

But if the channel was ever going to make more money, it needed to spend more money. Morse and TLC's board began looking for someone with deep pockets. Terry Sanford, who was the board's chairman and the president of Duke University until his election to the U.S. Senate, got in touch with a fellow North Carolinian, Earl Brian, the founder and majority shareholder of Infotechnology. Formerly known as Biotech Capital, Infotech already had an interest in Financial News Network. Brian, a physician turned entrepreneur whose breezy style is a refreshing contrast to the restrained tones at TLC, admits in his southern drawl that education wasn't particularly his "gig." But specialty cable services were.

For \$3 million, Infotechnology became a 47.5 percent shareholder in TLC in April '86. ACSN owned another 47.5 percent and TLC employees owned 5 percent. Last November, Infotech—with its TLC shares in the holding company Information & Service Network (ISN)—traded 80 percent of ISN to FNN for \$15.6 million of FNN stock. The result is that FNN, through ISN, now owns 38 percent of TLC stock. ACSN retains 47.5 percent; Infotech retains 9.5 percent; management holds 5 percent. The transaction, which valued TLC at \$47 million, represented a sixfold return on Infotech's original investment. Infotech continues to hold an option to acquire 51 percent of the network, either in 1990 or when cumulative profits exceed \$1.3 million.

In 1986, TLC's net income was just over \$250,000. It fell to about \$100,000 last year because TLC invested heavily in programming and marketing. Recently the board reaffirmed that direction, voting to plow more profits back into the business, a decision with which Brian says he fully concurred.

"We didn't wait two secs, we said, 'Grow it,'" he says. "We're a long-term player in this."

TLC executives hope to produce more and better original programming for the network. There are no immediate plans to change the mix, which includes so-called telecourses for college credit, how-to and hobby shows and training series for educators and other professionals. The channel fills about 80 percent of its schedule with acquisitions from outside sources. *Cosby* it isn't. "There's nothing about which I can say, 'That's blockbuster stuff,'" says Fred Dressler, programming v.p. for cable-operating company ATC.

Still, television doesn't have to be dull to be educational, and TLC's telecourses—there are 19 offerings this spring—are proof. Take, for example, the freshman physics course, *The Mechanical Universe*. It demonstrates such concepts as vectors through animation, costume drama and on-location shooting at Disneyland. Like a number of TLC's telecourses, it's produced by the Annenberg Foundation's Annenberg/CPB Project Collection. At least as important, the telecourses get academic respect. While community colleges have long given credit for tele-

courses, recently six regional institutions, including the University of Missouri and Pennsylvania State, agreed to do so. (TLC also goes to several hundred high schools and colleges.)

On TLC's other major educational front, the channel last year began carrying a 43-part GED course to help adults prepare for the General Education Development exam, which allows them to earn a high-school equivalency diploma. For high-school students, TLC offers an SAT/ACT college-exam review series. Such programming takes up some 30 hours of TLC's schedule per week. Leavening comes from such shows as Justin Wilson's *Louisiana Cookin'* and a one-hour call-in morning show, *Ask Washington*, produced by the Chamber of Commerce.

The product of which TLC executives are understandably proudest is its weekend series, *The Independents*, which was launched five years ago. For TLC, *The Independents* is uncharacteristically show-biz: Each of the series has been hosted by a well known personality, including Sydney Pollack, Paul Mazursky and Glenn Close.

What the channel would like is more shows like *The Independents*, which gets funding from the MacArthur Foundation and the National Endowment for the Arts. But what TLC needs is more money if it is to reach its goal of scheduling 75 to 80 percent original or exclusive programming within two years. One place to get it is from advertisers.

The channel takes in about \$1.6 million a year in advertising, including money TLC collects from producers for running their cooking shows, for example. Another source of ad revenue is the so-called per-inquiry business: commercials that offer a product through an 800 telephone number. Per-inquiry can bring in a tidy sum, but it's not the kind of big bucks that pay for top programming. In terms of conventional advertising, TLC's revenues are slim.

A. Scott Hults, president of Infotech's ad sales division, Infomedia, is exploring ways to package TLC with FNN as a unit for national advertisers. Some of TLC's computer-literacy shows or *Ask Washington* might be sold together with an FNN business show, he says. "A good portion of TLC's homes are FNN homes, so we can roadblock."

TLC's Shuman did approach IBM and Apple Computer, but came away with

nothing more than expressions of polite interest. He admits that "we're not attractive in a CPM sell," and that TLC's advertising is unlikely to take off before the channel is big enough to qualify for Nielsen ratings. In fact, TLC probably is big enough to be rated, but executives doubt they can sell enough time to justify paying Nielsen's fee.

In theory, the difficulty in marketing *Math TV* or *Teaching for Thinking* could put pressure on TLC to reduce its educational fare. But Brian insists that's not his interest—and that it



TLC lights up with *Louisiana Cookin'*.

would hurt TLC's distribution in the long term to pursue short-term ad gains. "While GED might not be attractive to advertisers, it might be very attractive to cable operators," he says.

So TLC is shifting its emphasis to operators and markets it serves. It is hiring an army of consultants; it has also signed on a Georgetown agency for its advertising and is planning more audience research. "The reason we're not in 20 million homes is lack of visibility," says John McLaurin, TLC's marketing director.

Admittedly, McLaurin has been saying that for more than a year. Now TLC is putting some money behind that claim, although how much visibility \$2.1 million will buy is anyone's guess. Up against many cable networks that tout entertainment value and broad appeal, TLC is clearly something different. There's nothing glamorous about it, says Burnett of Prime Cable. But, he adds, "It's like a comfortable pair of shoes you don't want to get rid of." Now, all TLC has to do is keep cable operators from being lured by glitzier fashions. ●



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 "New delivery systems
 for education will
 become permanent,"
 predicts Harold
 Morse, TLC's chief
 executive officer.

Local Cable Advertising Comes of Age

Cable systems gear up and get down, courting major local advertisers. Armed with stronger programming, they are starting to make the competition nervous. **BY J. MAX ROBINS**

Ron Fischmann is all revved up. The Cable Advertising Bureau's vice president for local sales is fresh back from one of his evangelical jaunts to the hinterlands. Fischmann advises local systems on how to sell cable ads while taking the pulse of the marketplace. Local cable-system operators are becoming increasingly savvy in selling advertising, he says, and the bucks are raining in. "It used to be the bulk of local spot time on cable was a deal between the advertiser and the salesman," explains Fischmann. "But the big story in the last year is that we're breaking through to the major local advertisers. We're starting to get our message across to the ad agencies handling these accounts. We're going after the serious bucks."

Still, there are some tough obstacles for cable-system operators to overcome before the local advertising dough comes rolling in. Some advertisers complain that using cable can be too complicated when they want to reach a market covered by more than one system. "Sure, we sometimes advertise on certain cable networks, but they make it so damn difficult," says a New York-based retailer. "I end up making 12 copies of my commercials."

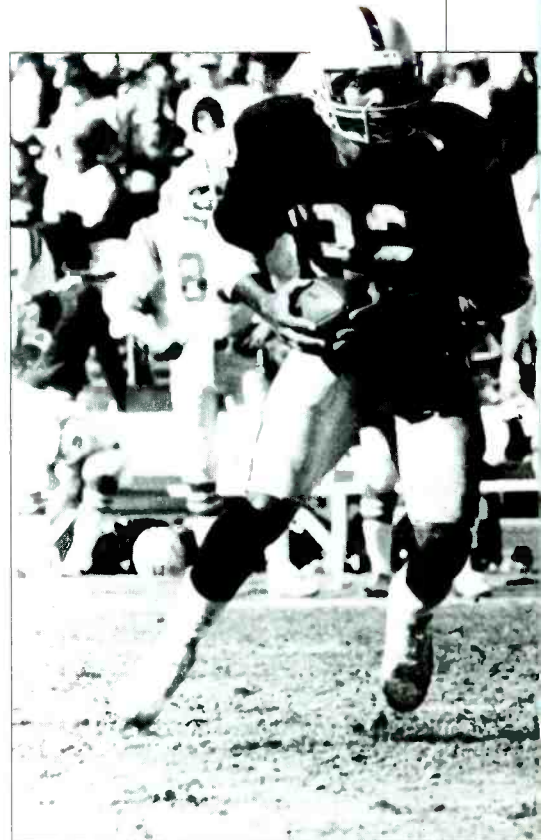
Interconnects, which are consortiums of regionally linked cable systems formed to sell spot time, help the process along. But systems don't always

want to be part of an interconnect. If a system can sell out its spot time at a rate higher than the interconnect's, there's little incentive to join. "You have to be very selective where you decide to do an interconnect," says Warner Cable Communications' senior director of corporate ad sales, Laurence Zipin. "In some markets we feel the Warner franchise reaches the advertisers we most want to meet."

Beyond the question of whether or not to join an interconnect, there are other hurdles. Even a cable stalwart like Fischmann admits that cable systems need to sharpen their pitch. "Sometimes when our people are calling on sophisticated accounts, they're not coming across as well as they could. That's some of the feedback we're getting from agencies," he says. "But it's just a matter of time until we're up to speed."

Clearly, though, the momentum is picking up. "We're finally being treated like another local station, instead of as a stepchild," says Zipin. Indeed, it appears last year was a breakthrough one for cable in garnering local ad dollars. Total local and national spot cable revenues were \$264 million in 1987, and this year should top \$350 million, according to Paul Kagan Associates.

While that figure is infinitesimal compared to the close to \$14 billion over-the-air advertisers will spend on local and national spot buys, it is only the



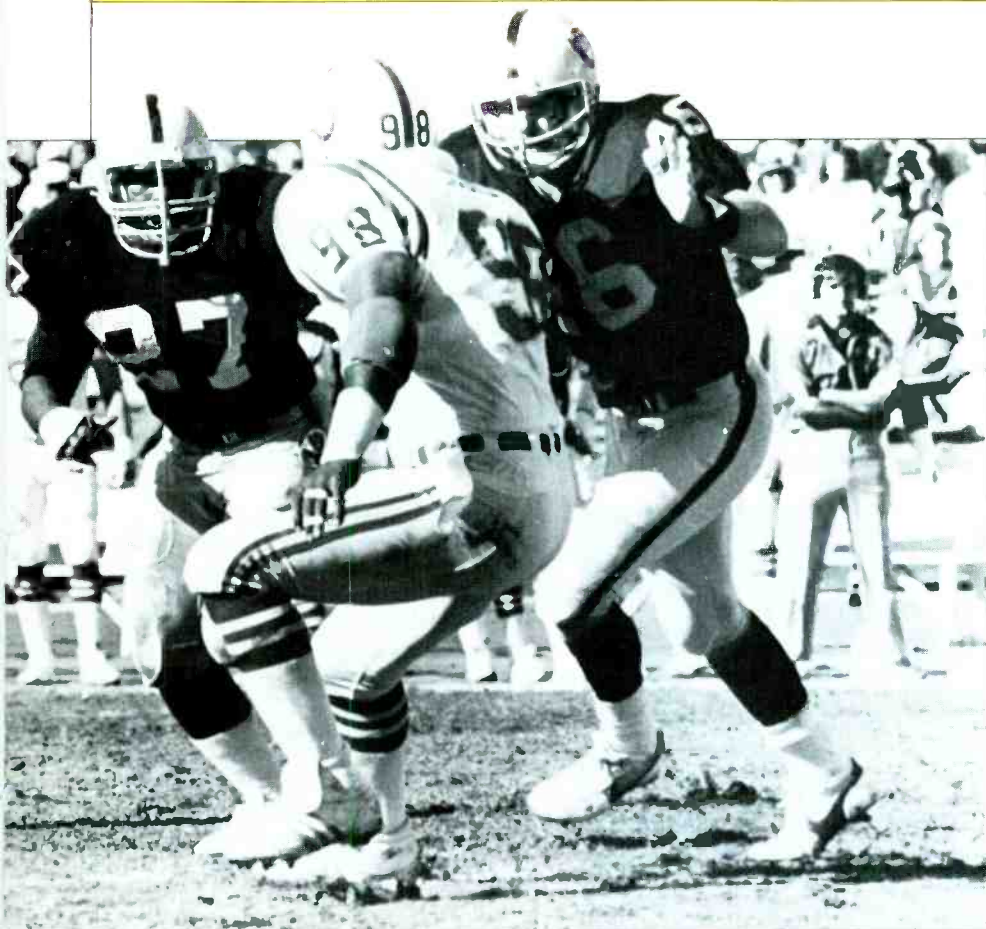
beginning. By 1995, revenues are expected to climb beyond \$1.3 billion. The bulk of those dollars—more than 90 percent—will come from sales to local advertisers.

"We may have been selling advertising since 1980, but in real terms 1980 to 1983 were the pre-advertising years," says Robert Williams, president of National Cable Advertising, a cable rep firm. "By 1985 there was some awareness locally that this was potentially a real profit center. By last year, there was a lot of action. But I think we're only scratching the surface."

The days when local cable advertising was an afterthought for system operators are over. Advertising sales may never replace subscriptions as a prime revenue source, but as cable systems mature and saturate their markets, the focus on advertising will only increase. "Already the MSOs are becoming much more sophisticated—much less hit-and-miss in their approach to selling local advertising," says Robert Fennimore, president of Rainbow Advertising Sales, a cable advertising rep firm. "The dollars have become significant enough for a concerted selling effort."

A number of factors have figured into the upswing in local ad revenues. Key is

ESPN



Unwired fans don't like it, but NFL football on ESPN was a hot ticket for cable, coaxing new advertisers into the cable arena.

client can easily understand. If those spots work, other cable fare becomes easier to sell. "No doubt the NFL on ESPN and having product the caliber of *Murder, She Wrote* brings a lot of new advertisers into cable," says Rainbow's Fennimore. "Now they're softened up to a point where they'll try buying time on other cable programs."

A lot of the inroads cable is making in local advertising are the result of salesmanship as guerrilla warfare. Pick up the Cable Advertising Bureau's (CAB) newsletter *Successful Cable Selling*, recounting tales from the frontlines of those who have won its "Mission Accomplished" awards, and it tells a story of more than picking up the phone and having lunch with a media buyer.

An account executive for Cable Annet-Pittsburgh, shut down three times by a Chrysler Plymouth dealer, finally landed the account after she presented him with a concept for a low-cost spot. Lincoln Cablevision in Nebraska reeled in Occidental Nebraska, a savings bank that had always used network affiliates, after 16 sales calls. The salesperson sold the bank's agency on a multimedia strategy that included a bill stuffer and a commercial package with buys on CNN, ESPN, MTV and USA Network. Cable TV of East Providence landed a shopping-mall account only after the salesperson made presentations to everyone involved, from developer to individual shopkeepers, pushing how the system's subscribers dovetailed with the mall's geographic reach.

When the CAB's Fischmann address the troops on how to sell, he pushes them to use everything they have in their artillery. "If you have a studio, use it to produce clients," he tells the cable sales flock. "You've got that subscriber mailing list. Show them how cable commercials can work in tandem with direct mail." Indeed, selling cable in local markets is much more than simply selling airtime. Cable is working against well entrenched advertising media—broadcast TV, radio, newspapers. It must play up its advantages and do a lot of hand-holding.

"We're getting dollars from broadcast TV, but we're also creating new ad dollars," says Machovina, echoing the views of his cable colleagues. "We're talking to advertisers and to agencies

cable surpassing the 50 percent penetration mark. Having more than half of the nation wired has made selling cable to advertisers easier, beyond the psychological weight that number carries in the marketing community. "The simple fact that the odds are better that the decision-maker at an advertising agency you're calling on is wired makes it a whole lot easier to make your case. They understand it more," says David Kantor, who directs advertising sales for Cox Cable.

"From a personal standpoint, it makes a difference if you're calling on a media buyer and he watches his kids watching all the children's programming on cable. That's traditionally been the selling strength of the independents," adds Williams.

In addition to cable's increase in market penetration, programming is playing a crucial role in making inroads into local advertising gains. And nothing on the programming scene has done more to legitimize the medium than the NFL football games on ESPN last fall. "Having the NFL gave us credibility in the advertising community," says Zipin. "Agencies don't often get a chance to see how cable programming is doing, and the National Football League kept

pumping out figures."

"Pro football," agrees Monterey Peninsula TV Cable's advertising sales director, Art Breyfogle, "brought a reality level to cable that was immediate and we could build on."

A slew of hit network TV shows that have gone into syndication on cable have also provided momentum. Systems salespeople point to the acquisition of such programs as *Miami Vice*, *Murder, She Wrote* and *Cagney & Lacey* as providing important ammunition for pulling in local ad dollars. Having programming that's familiar provides a certain comfort level when cable systems attempt to break the advertising-agency barrier.

"There's a whole justification process on the agency level we have to acknowledge and work with," explains Jerry Machovina, the corporate director of ad sales for Norfolk's TeleCable. "When they're first going into cable, they have to be able to say why they're making the buy and how it's going to work." Local advertising agencies are wary of upsetting clients with spot buys they're pressed to explain. Buying time on *Cagney & Lacey* or the NFL is something a

about how cable is complimentary to the total marketing picture. We'll discuss with creative directors how to develop a complete marketing program. We try to position ourselves as professional marketing-services people, not just spot sellers."

Several cable-system operators are banking on this full-service approach to snare political advertising dollars. For example, National Cable Advertising, which had an exclusive contract to represent cable systems in New Hampshire for that state's presidential primary, offered to merge spot buys with direct mail using subscriber lists.

Beyond the primaries, most system operators see political advertising picking up in the fall as elections draw near, boosting fourth-quarter revenues. Still, there are some systems who aren't sure political advertising pays off.

"It's advertising that's a one-shot deal," says one MSO ad sales director. "I'd rather concentrate on that appliance-store chain that's going to buy a full schedule."

That's probably the minority view. Some cable operators see benefits from political advertising that go beyond the immediate bottom line. "Sure, I'm anticipating a lot of political dollars coming our way, especially as it gets closer to election time," says Warner Cable's Zipin. "Even if political advertising happens intermittently, we'd be foolish not to take advantage of it. There's another payoff we get from political advertising, besides the money. If we help a local candidate get elected, cable's perceived worth goes up substantially in a decision-maker's eyes."

Political advertising isn't the only place where local cable advertising is getting a boost. There are signs that some advertising-supported cable networks are helping out. Support comes in a variety of ways, including promotion and sales training. Perhaps the most active in these areas is MTV Networks, which does extensive local promotion work and offers sales training programs for local operators.

The most telling sign of MTV Networks' increased awareness of the importance of local advertising was the recent restructuring of local avails on MTV and VH-1. MTVN split local avails to increase system operators' flexibility in selling spot time. One result: competing advertisers can be sold time in the same hour of programming.

The restructuring came in response to

LOCAL CABLE ADVERTISING ON THE RISE

National/Local Spot Cable Advertising Revenues, 1983-88

	NATIONAL SPOT (Millions)	LOCAL SPOT (Millions)	TOTAL (Millions)
1983	\$ 3.0	\$ 47.0	\$ 50.0
1984	5.0	81.0	86.0
1985	8.5	130.5	139.0
1986	8.2	183.8	192.0
1987	11.6	252.4	264.0
1988*	12.5	338.5	351.0

* Estimate

Source: Paul Kagan Associates Inc.



What are all you guys looking at? Lighten up! A syndication run on cable isn't so bad. In fact, the cable operators welcome you with open arms. You're making their lives easier.

persistent requests from operators, anxious for more leeway in selling local time. "It's an important first step," says Manhattan Cable's marketing director, Glen Friedman. "It's a sign that [ad-supported cable channels] are aware of how important local advertising is becoming to our growth."

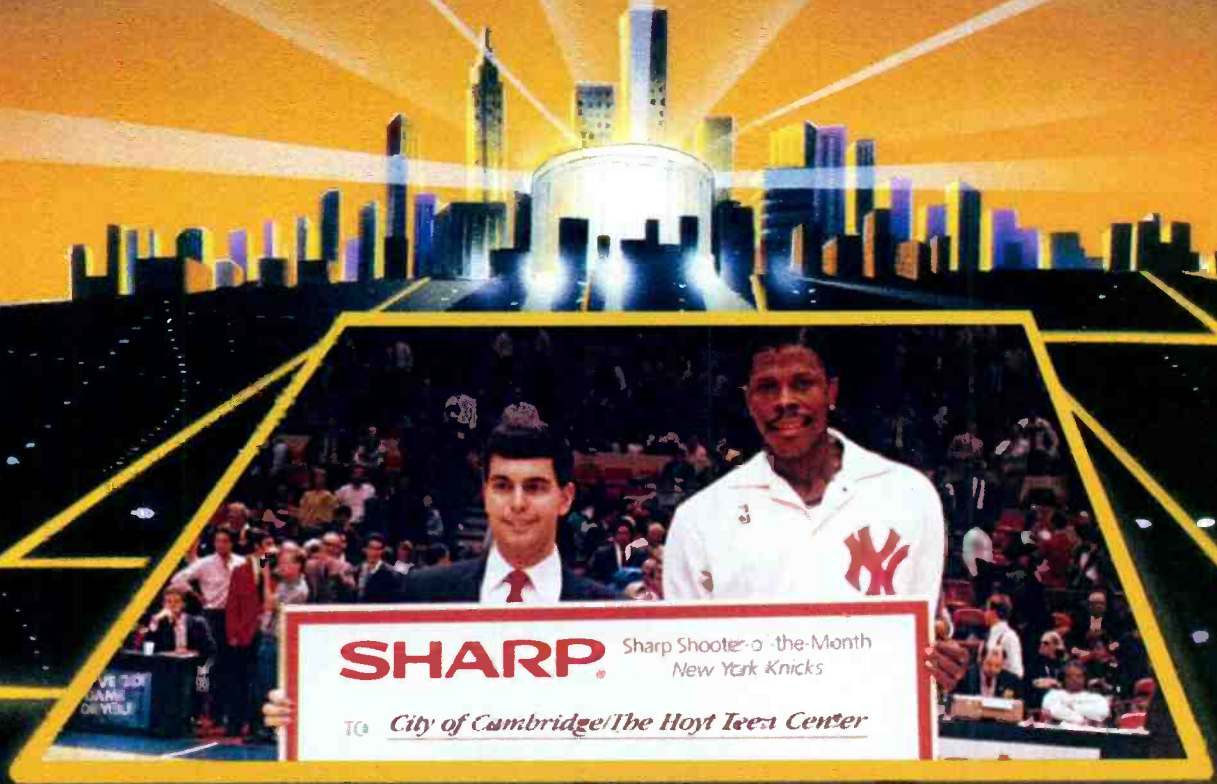
Broadcast TV stations have also become aware of cable's drive for local ad dollars. In the past, their attitude was to pretend cable didn't even exist, but now many have gone on the assault. "[Local stations] used to think if they mentioned us, it would give us too much credibility," says Telecable's Machovina. "Now in certain markets we're starting to get some heat."

Indeed, these days it's much more common for broadcast salespeople to make a case against cable as part of their sales pitch. Forget that an increasing number of broadcast stations are using cable to promote their programming, they're still getting nasty. Literature is none too mysteriously appearing in ad-agency media departments, hammering away at cable's lack of standing in Nielsen ratings.

Cable fights back by trying to generate its own numbers, pitching a "qualitative sell" and stressing demographic and geographic specificity. The battle rages on. In this head-to-head combat for local ad dollars, there will be winners, losers and in some cases even consolidation.

"We've got a very aggressive cable-system operator in our market," says an executive for a major-market independent station. "[The cable system] is getting people who know how to sell, breaking ad agencies from point buying and into profile buying. In three years it's managed to build its sales to \$1 million—we may be getting \$14 million, but cable is having enough impact that my company is currently considering investing in cable television purely as a defensive move."

Sharp Minds Recognize Sharp Opportunities



For the people at The Sharp Electronics Corporation, advertising on MSG Network delivers more than just men 18-49. It also means enjoying the rewards of MSG's unique merchandising opportunities.

From Knicks programs to Rangers dashboards, from team parties to scorer's table banners to pocket schedules to team and programming sponsorships, advertisers like Sharp Electronics Corp. can be part of team/arena tie-ins that only a network called Madison Square Garden can offer.

Just as importantly, as one of the country's largest regional networks—reaching 2.2 million households in the New York tri-state area—MSG can help you score big with the prime male audience you want.

When it comes to sports, no one brings home the feeling of being at the game better than MSG Network. Whether it's Knicks basketball, Rangers hockey, boxing, tennis, college and high school sports or exclusive weekly series and Garden Premiere Events, our all-star sports line-up means a quality male audience all year-round.

Join advertisers like Sharp Electronics Corp. who've discovered the benefits that come from bringing the Garden home. When it comes to advertising on MSG Network—we bring your product home, and in more ways than one. Call Douglas Moss, V.P., Ad Sales, at (212) 563-8450, and learn how you can enjoy MSG Network's unique merchandising opportunities.

MSG

MADISON SQUARE GARDEN NETWORK

We Bring The Garden Home!

TCI: The View From The Top

Tele-Communications Inc., cable's largest and most powerful system operator, has vast influence because it controls more than five million wholly owned subscribers. That number is complemented by some three million subs controlled by companies in which TCI has equity positions but not management duties.

Operating on the theory that improved cable content will enhance penetration, TCI has also become increasingly involved in programming, investing in the Turner Broadcasting System and in Shelley Duvall's Think Entertainment, among others. TCI's penchant for bailing out ailing programmers has helped win it a reputation among some as a benevolent force in the industry, while TCI critics regard the company as nothing more than a money manager, and its president, John Malone, as a ruthless tyrant.

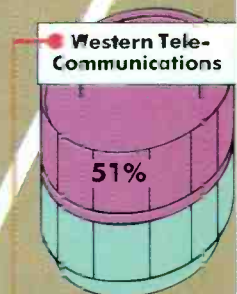
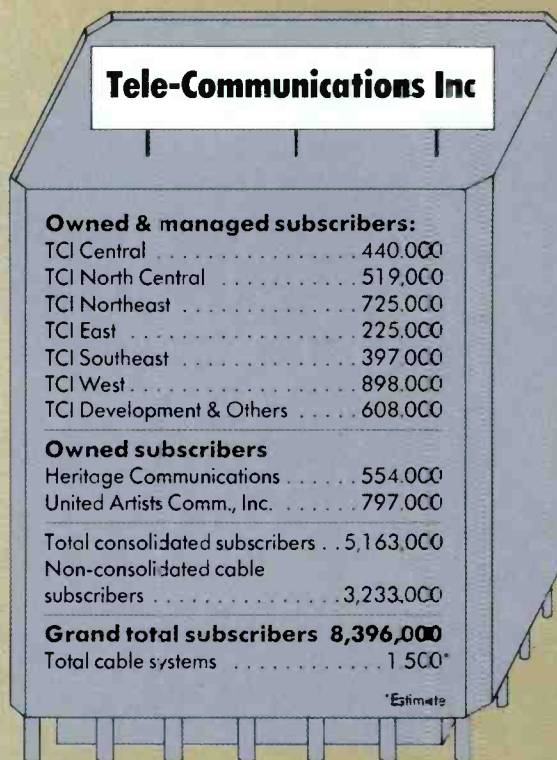
Whichever is true, the company is only likely to become stronger. Its strategy of acquiring pieces of cable properties in some instances rather than whole systems allows the firm to gain in sub counts—and influence—without taking on more managerial duties. Arthur Phillips, first v.p. at Drexel Burnham Lambert and a TCI banker, notes that TCI "has the advantage of being large, which lets it purchase programming at lower rates. But a 100,000-sub system operates more efficiently than a ten-million-sub conglomerate."

This structure also positions the company well for an efficient break-up should monopoly-busting legislation come down. Malone doubts that anything like that will happen in the near future, and analysts agree. Says Eberstadt Fleming's Mark Riely, "It's highly unlikely that government regulation will fall on TCI."

Tax savings have also played a part in TCI's acquisition strategy over the last few years. The company depreciates its acquisitions, and once they become revenue producers, the revenue is siphoned off into more leveraged acquisitions rather than sitting in company coffers incurring taxes. "If TCI didn't pay interest costs [from acquisitions], they'd be paying the government in taxes [from operating income]," says Paul Bortz of Browne, Bortz & Coddington.

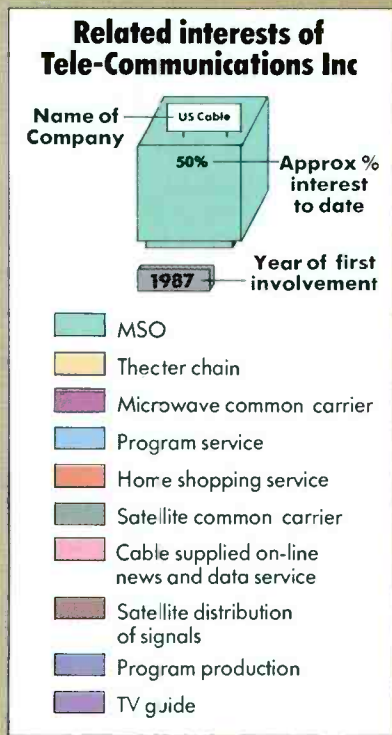
TCI's future: More passive investments in programming services; raising its sub count and with it, cash flow. Bortz does speculate, though, that TCI may be shifting strategy. He wonders if the proposed WestMarc and/or UA/United Cable mergers are aggregations of cable properties that may be put up for sale a few years down the line.

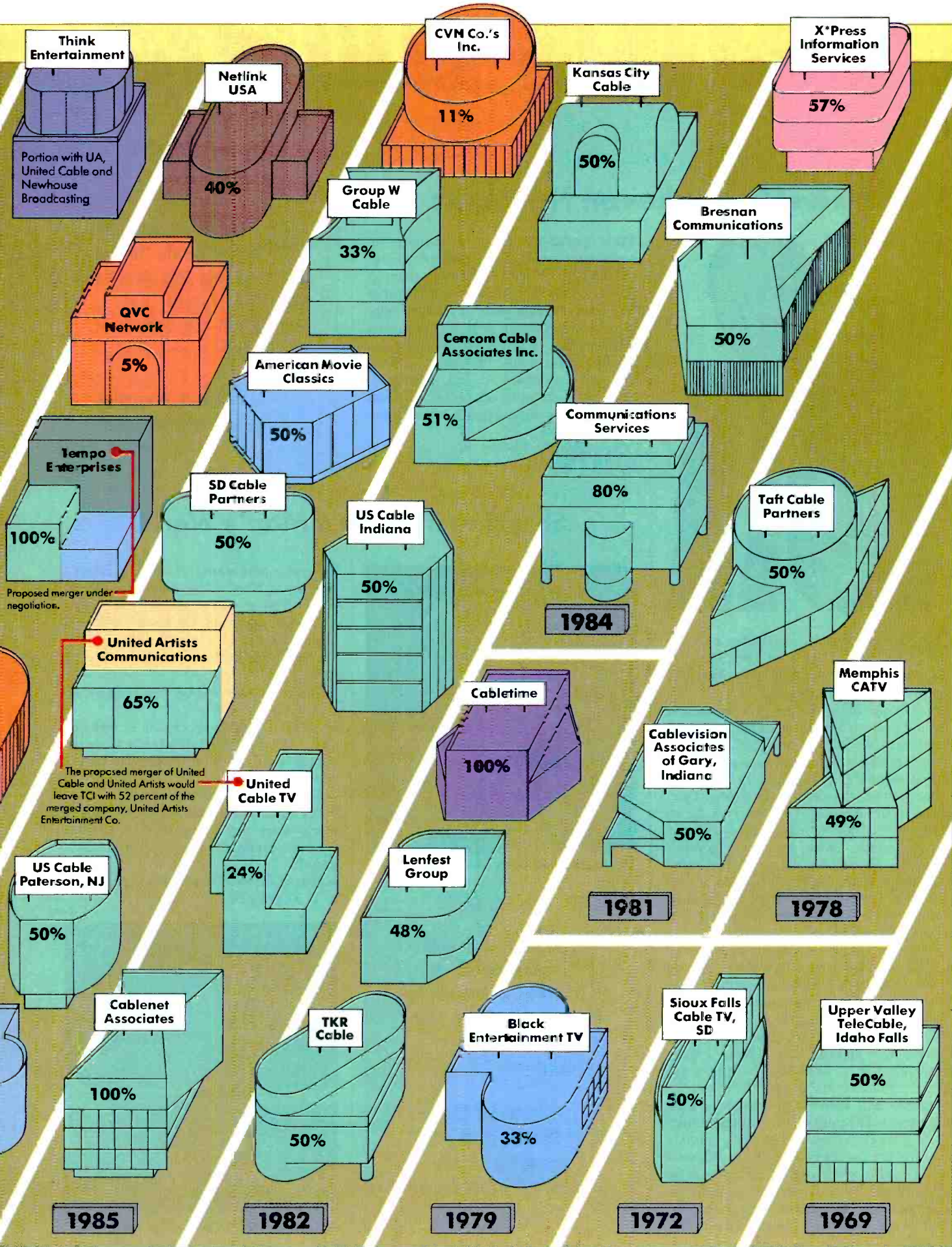
MICHAEL BURGI



Western TCI's proposed merger with Arcus Communications will give TCI a 51% stake in the new company, WestMarc Communications.

1988

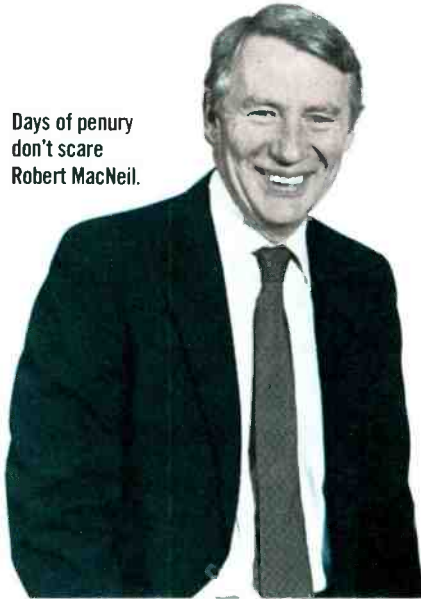




TALK SHOW

NewsHour Takes on Networks

Days of penury don't scare Robert MacNeil.



In the months after we had passed the 1,000 [show] mark on *The MacNeil/Lehrer NewsHour* last fall, [several] symbolic things happened.

"On one night, in the greater metropolitan New York area, the overnight ratings showed that in one of our quarter hours we had a 5.2 rating. And on that same night, in one of its two quarter hours in the same metropolitan market, *NBC Nightly News* had a 5.2 rating. In other words, for one brief two-quarter-hour period, *MacNeil/Lehrer NewsHour* achieved the same rating as *NBC Nightly News* did. It was a high point for us—we're not always that high—and it was an unusually low point for them. . . .

"I did a little calculation around the time when Larry Tisch and [others] were making all the noise about the cuts at CBS and how the new word at the network was going to be, to use Av Westin's phrase, "the days of affluence were over and the days of penury were arriving." . . . We do 260 hours [of nightly newscasts] a year; the networks do 260 half hours a year. Our annual budget is \$21 million, their annual budgets, devoted to the network nightly news, are conservatively \$100 million—it's hard to get an exact figure because many of the network costs can be shared by the different programs and they are absorbed by the whole net-

work operation. We do 57 minutes of news in our hour. They do 22 minutes of news in their half hour. Now if you do all that arithmetic, here's the way it works out: Our program costs \$1,350 per minute of news. By my calculation, based on the figures I've given you, theirs costs \$17,500 per minute of news. . . . Now you can't compare. . . . But just from what actually gets on he air, I think those are interesting and significant figures."

—*NewsHour's Robert MacNeil, at a NATAS luncheon*

“What do I want more board seats for? I didn't go into this deal to kick Ted [Turner] out. . . I've got all the control of Turner.”
I need.”

—*John Malone, president, Tele-Communications Inc.*

Slugging it Out in a Man's World



Terry Louise Fisher rejects life as a dog.

Some comments from the Hollywood Radio and Television Society's "Women in Television" luncheon: "I never watched TV [as a child] . . . Lassie was the only interesting female—and 'she' was really a 'he' in drag."

—*Terry Louise Fisher, co-creator of L.A. Law*

•"When I said mediocre male writers under 40 do well [in TV], it's because people tend to hire those like themselves."

—*Terry Louise Fisher*

•"As an employee [at ABC], I went to work every day being prepared to be fired or made president [of the company]."

—*Marcy Carsey, co-executive producer of The Cosby Show*

“I always thought a 'meal penalty' was if your crew looked hungry at the end of the week, you gave them a banana.”

—*Producer Stephen J. Cannell, at a recent Academy of Television Arts & Sciences forum*



Carsey may have Brandon Stoddard in a sweat.

Dave's Shocker: 'I Quit!'

From an NBC Media Relations press release on the sixth anniversary of *Late Night with David Letterman*:

Q: Is there any single thought that always runs through your mind as you prepare to go on?

Letterman: I'm wondering if there's any guest on the show that I could grab or touch, preferably a female guest. That's the only thing that goes through my mind.

Q: In what ways would you say you've changed profes-

sionally in the last six years?

Letterman: My work habits are more slovenly. I sleep later. I steal equipment from the office. I use the company stationery for my own personal correspondence. And I try to get other people to buy me lunch.

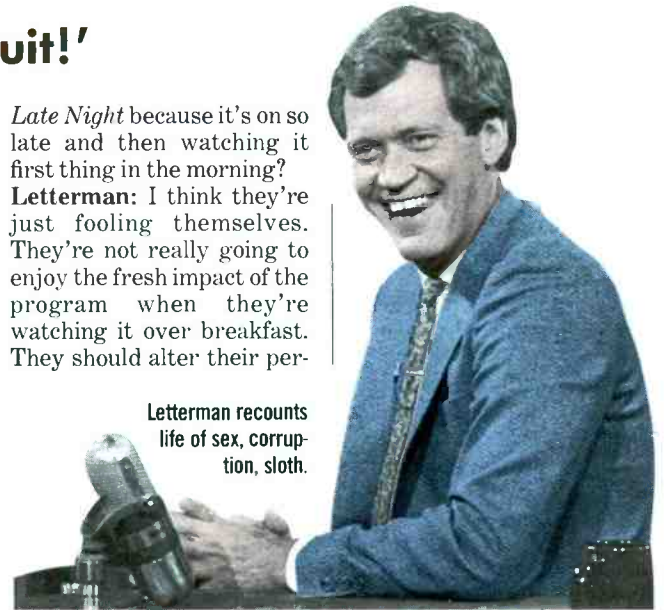
Q: What is it about *Late Night* that attracts such fanatic viewers?

Letterman: It's the only thing that's on at that time of night.

Q: What do you think of the practice of people taping

Late Night because it's on so late and then watching it first thing in the morning?

Letterman: I think they're just fooling themselves. They're not really going to enjoy the fresh impact of the program when they're watching it over breakfast. They should alter their per-



Letterman recounts life of sex, corruption, sloth.

sonal and professional lives so that they can enjoy the show the same way countless other millions of Americans do.

Q: After six years on the show, what would you say that you've learned professionally?

Letterman: It's never as bad as you think it is.

Regardless of how bad the show goes, by the time it gets to the home screens, it's just another piece of TV. If people are watching it from 30 feet across the room, it's just moving images in color.

Q: How long do you see yourself doing *Late Night*?

Letterman: Labor Day will be the final show.



News' Calculus of Death

The news media seem to judge the severity of a disaster by the number of deaths and injuries, extent of property damage and geographic scope. . . .

However, a disaster's severity alone does not establish its news value. In a study of 35 severe non-U.S. disasters between 1972 and 1985, [W.C.] Adams found that "the number of deaths" explained only three percent of the variation in the amount of news coverage accorded a disaster by the U.S. media. . . . "Overall, the globe is prioritized so

that the death of one Western European equaled three Eastern Europeans equaled nine Latin Americans equaled 11 Middle Easterners equaled 12 Asians." Curiously, 33 percent of the variation in the amount of news coverage given a disaster was explained by the country's popularity with U.S. tourists.

—Rahul Sood, Geoffrey Stockdale and Everett M. Rogers, "How the News Media Operate in Natural Disasters," in the *Journal of Communication*

“Many that are first shall be last; and the last shall be first.

—Matthew 19:30

Man has often turned to religion in a time of despair. Thus, given the environment in the investment-banking business, we thought it right to quote the Bible. The above verse tells the story for the publishing/information industry in January—a complete role reversal from December. Seems to me just another good reason for the investment community to take a long vacation.

—Kevin Gruneich, *First Boston newsletter*, February 3, 1988

Cable-friendly in Kentucky *by Kirsten Beck*

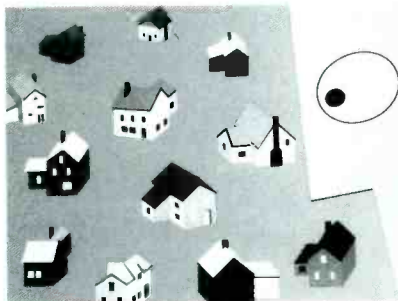
A broadcaster-cable promo nets new viewers for both and sets the scene for the future.

Louisville viewers must have been surprised the night of January 30, 1988, when they turned on local ABC affiliate WLKY and saw HBO's *Not Necessarily the News*. As Neil Kuvin, general manager of competing CBS affiliate WHAS, put it, "When I first heard WLKY was in bed with Storer, that they were giving up two nights of prime time in return for money . . . well, it was like the hostage deal with Reagan. I said, 'Wait a minute! What are they doing?'" But after some reflection, Kuvin admits he can't say he wouldn't do the same thing if he were in the same situation.

In a move that generated ample press coverage and much aggravation at ABC's network headquarters in New York, WLKY, a UHF station owned by Pulitzer Broadcasting, sold five hours of prime time to Storer Cable, the largest cable operator in Louisville and surrounding Jefferson County with 161,000 subscribers and a penetration rate of 60 percent. Not only did the affiliate sell the time, it joined with Storer on the production end, allowing WLKY sportscaster Fred Cowgill to cohost the live "free-view" broadcast that aired the Friday and Saturday nights preceding the Super Bowl. (HBO's Les Read, director of affiliate special projects, was the broadcast's other host.) As part of the on-camera patter, Cowgill was able to promote ABC's coverage of the Super Bowl game on his station.

Seven ABC network prime time shows were preempted by an HBO Tina Turner special and HBO's *Not Necessarily the News*; The Disney Channel's *New Adventures of Winnie the Pooh* and *Danger Bay*; and Cinemax's *A Rockabilly Session: Carl Perkins and Friends*. In addition, four-minute interstitial shorts were created at Storer's Miami headquarters to showcase basic cable's more specialized networks, such as Arts & Entertainment and The Discovery Channel.

This unusual cooperative effort between a network affiliate and a cable operator—in a 60 percent cable-penetrated market—grew out of a genuine



congruence of broadcaster and cable-operator needs. WLKY is on UHF channel 32, but on the Storer system it's known as cable channel 5. Consequently, as the Storer audience grows, so grows WLKY's audience.

But there's more to it than that. Although the other network affiliates in the market view cable as a competitive threat, James Oetkin, WLKY's sales manager, says, "We believe growth in cable penetration is inevitable, and we think we're in the same situation the movie business was when television began. At first, they wouldn't sell to TV; now they're making money on it."

Oetkin is convinced that "the only thing that will do us in in broadcasting is to continue to think in completely traditional ways." So, he is busy hatching ways of cooperating with the cable operator on several projects.

Following the cable promotion, WLKY launched a campaign to establish itself as cable channel 5 on every one of the 44 smaller cable systems in the region, and redesigned its logo to read channel 32/cable channel 5.

WLKY is also discussing the possibility of Storer picking up its local news for rebroadcast. Until recently, the cable operator had perpetuated a long-standing Louisville tradition of rebroadcasting the local noon, 6 P.M. and 11 P.M. newscasts of WHAS, a CBS affiliate formerly owned by the Bingham family and now owned by The Providence Journal Company, in exchange for a live, 24-hour, color, weather radar feed. Each newscast is repeated as a community service on Storer's local-origination channel one hour after its initial broadcast. For WHAS, the repeat service adds value for its advertisers and introduces viewers to the station.

But Frank Hosea, Storer regional vice president for sales and marketing, has been reevaluating this practice, and in essence has put the news rebroadcast "out for bid." Ultimately, he says, he would prefer to run WLKY's news in exchange for the weather radar feed and that station's airing of *Curtain Going Up*, cable television's version of *Entertainment Tonight*. The weather radar occupies an

LOUISVILLE LINEUP

Market Rank: 47 (Arbitron)
1987 Net TV Revenues: \$51 million*
1988 Projected Revenues: \$55.27 million*

STATION/ OWNER	PRIME TIME AVG. RATING/SHARE**	SIGN-ON TO SIGN-OFF AVG. RATING/SHARE**
WAVE (NBC) Cosmos Broadcasting Corp.	18/31	9/30
WDRB (Ind.) Blade Communications	4/7	3/9
WHAS (CBS) Providence Journal Co.	16/27	8/26
WLKY (ABC) Pulitzer Broadcasting	10/17	5/18

*Revenue estimates and projections provided by Broadcast Investment Analysts.
**Monday-Friday, 8-11 P.M.; Saturday and Sunday, 7-11 P.M. All ratings information courtesy of Arbitron, November 1987.

entire channel and, following the 1974 tornado devastation of Louisville, has become an indispensable community service. "That," declares Hosea, "would be a win-win for both of us."

WLKY, however, has an even more complex cooperative project in mind for Storer Cable. Establishing a relationship with the company that controls the television pipeline in its community—where cable is still important for good reception—is a priority for the station, and may inject an unexpected new element into the Louisville television mix.

WLKY learned last September that it had been awarded a low-power TV station license. Sign-on for the new station, christened channel 54, is not expected for at least six months, pending resolution of another license issue before the FCC. The program director at WLKY has just begun studying programming options and how they may fit with the station's center-city demographics.

WLKY has proposed both carriage of the new station and joint programming options to Storer. Channel 54's signal will cover only the downtown area of Louisville. Carriage on the suburban portion of Storer's system would extend channel 54's reach to an additional 82,000 viewers.

Even though sign-on is at least half a year away, Oetkin believes that if Storer is brought into the new channel's birth and involved in developing the programming, it will be more inclined to grant carriage to the new kid on the dial. Hosea says Storer has no problem with the proposal conceptually, "especially since they are so open on the programming issue." Carriage of channel 54 on the city portion of Storer's system will be problematic, however, since that system (purchased in 1985 from Times Mirror) has only 35 channels, all of which are presently full.

But discussion of possible joint programming ideas has begun. Storer currently runs an ample amount of government-affairs programming, according to Hosea, but might be interested in beefing up the already active area of "barter-type program trades" as well as local sports programming—particularly basketball, which in the Louisville area has nearly sacred status.

Neither Storer nor WLKY has yet committed itself to joint programming, and, as Hosea says, "There are lots of questions remaining: Would we split ad sales? Who would sell?"

But given the success Storer achieved in its joint promotion with WLKY, it is not surprising that talks continue. Steve Rohan, director of sales and marketing for Storer, is more than pleased and not a bit surprised by the results of the promotion. After toting up sales



Viewers expecting O'Hara on WLKY on Super Bowl Saturday saw *Not Necessarily the News* instead.

coming directly from the promotion (the free-view offer had its own price, so results could be tracked), Storer had netted 1,383 basic subscribers and 1,635 pay units. Perhaps most satisfying: 25 percent of the new basic subscribers were completely new to cable. A normal response rate for so-called "nevers" is under five percent, says Rohan.

Although the promotion took six

.....
 'When I first heard
 WLKY was in bed with
 Storer,' says WHAS
 g.m. Kuvin, 'it
 was like the hostage
 deal with Reagan.'

months to plan, Rohan considers its \$57,000 cost modest. The total includes buying the five hours of time on WLKY, 80 WLKY tune-in spots, production of the clips and show, newspaper and radio tune-in ads and the postage for a 115,000 piece mailing to promote The Disney Channel. His average marketing campaign costs approximately \$100,000 and runs 45 to 60 days using radio, television and direct mail. Rohan figures the cost per sale with WLKY was approximately \$40.39 and the cost per unit sold was \$18.51. The usual cost to hook a brand-new cable subscriber is "much higher than \$40," says Rohan.

Furthermore, he speculates, most of the new subscribers have probably received 30 to 40 marketing pieces over the last several years during subscrip-

tion campaigns. This promotion was clearly a superior way to reach them, something that he suspected from a demographic study (conducted last April and May) of people who had never subscribed. "We knew we were going after the picky viewer, so we emphasized Arts & Entertainment, Discovery—the quality services. We made the point that cable is not just sports and movies."

Rohan and Hosea are in favor of repeating the promotion this fall in some as yet to be determined format. They hope that it can become a joint promotion and marketing activity of the Kentuckiana Cable Association, a group of some 16 cable operators in the area.

WLKY, however, appears to be the only cable-friendly broadcaster in the region. Other stations view WLKY's activities with a mixture of suspicion, distaste and surprise.

It may be difficult for WLKY's broadcast competitors to understand fully the long-term value for WLKY in running a joint promotion with a cable company, although to a person they appreciate the difficulties of being a UHF network affiliate and needing to establish a strong presence. Because the other broadcasters view cable as a competitor, they may underestimate WLKY's plans—its campaign to consolidate its channel carriage on cable channel 5 throughout the region and the upcoming introduction of a low-power station into the city's media mix. Now, when WLKY needs an assist or a partner on a new project, it has a successful working relationship with an important resource: the one medium that controls access to 60 percent of the television homes in Louisville. ●

American Cablesystems Corporation

has been acquired by

Continental Cablevision, Inc.

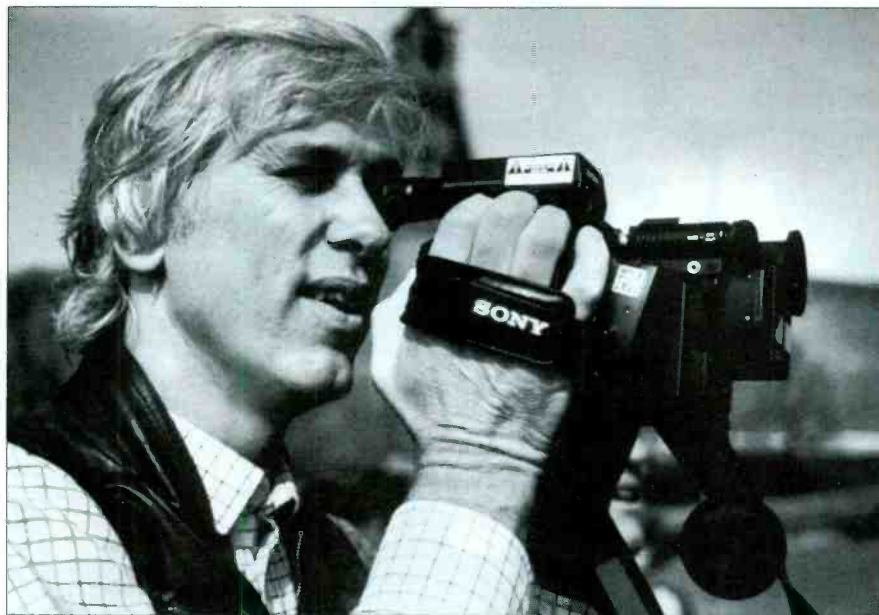
*The undersigned acted as financial advisor to
Continental Cablevision, Inc. in this transaction.*

MORGAN STANLEY & CO.
Incorporated

February 29, 1988

In Comes 'Amateur' Video *by Robert Rivlin*

They're proven on air, but do home camcorders have a regular place at stations?



RICK SMOLAN

From Russia with video: Douglas Kirkland using a home-model 8mm camcorder for 20/20 reports.

Most times, when a manufacturer discovers that customers are using its products in a new and different way, it will rush to publicize the fact. There is, however, an extremely innovative new use for VHS and 8mm consumer camcorders that their makers are not at all eager to discuss: the integration of "home video" footage into broadcast news.

Why the reluctance? A major reason is that manufacturers of both consumer and professional camcorders don't want to face station people demanding to know why they should spend so much for pro models when a home camcorder can do almost as well.

To set the record straight: Home video formats cannot equal the quality of the professional formats. Even when the signal from a VHS tape is processed to correct for time-base errors that cause jittering and other problems, the image has only some 249 lines of horizontal resolution (8mm has 230), compared with 450 for the professional

Robert Rivlin is editor in chief of Broadcast Management/Engineering.

Betacam and MII systems.

But not every station has the latest professional equipment. For stations using the older 3/4-inch U-matic technology, the consumer gear doesn't look nearly so bad: VHS's 249 lines compared with U-matic's 260.

The issue has become even cloudier with the introduction of Super-VHS, a souped-up version of the basic VHS format, which offers 400 lines of resolution and other extremely good specs. In addition, several manufacturers are selling S-VHS models designed for the corporate video market.

Station executives won't openly admit it if they're even thinking of replacing U-matic equipment with one of the consumer formats; the other stations in town would have a field day sneering at the "amateur" technology. But some are already reaping scoops and publicity by inviting amateurs to submit airworthy tapes.

"If you take an image shot with a high-quality, professional camera on S-VHS, I don't think you'd be able to tell the difference between that picture and one shot with a comparable-quality cam-

era on 3/4-inch," claims Ardell Hill, director of engineering and operations for Media General's WXFL-TV in Tampa. He has decks that play S-VHS, 8mm and Beta cassettes ready for "whatever walks in the door."

The networks are also finding a place in their newscasts for home video footage. Last year, a British physician attending a medical conference in the Soviet Union happened to be standing in Red Square when the young German pilot Mathias Rust landed his plane amidst some rather startled tourists. The doctor caught it with his VHS camcorder.

"As soon as we heard about the story over the wires, I telephoned our Moscow bureau to see if there was any footage available," recalls Jerry Lamprecht, v.p. of news coverage for NBC. "They were already working on it." The bureau knew a conference was in town and asked its organizers to refer to NBC anyone who had been shooting footage in Red Square when Rust landed. Within a few hours, the doctor called NBC, the bureau fed images to New York via satellite and the network aired 45 seconds of remarkable footage.

ABC, too, has aired home video—though in the case of two recent segments of 20/20, the use of consumer 8mm was well thought-out ahead of time. The idea was to document the massive project of 100 photographers shooting the book *A Day in the Life of the Soviet Union*. "But the Soviets would only allow us to bring in two additional crews besides our Moscow bureau," says Tom Nagorski, associate producer for 20/20's segments. The solution was to provide the 50 Western photographers with tiny Sony 8mm camcorders.

"The technical quality of the 8mm that formed at least 50 percent of our segment on the event was extremely good," Nagorski explains. "I venture to say the average viewer couldn't tell the difference between that material and the footage shot by our own field crews using professional equipment." ●

TO OUR CLIENTS IN 1987: THANK YOU.

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40 Transactions/711,249 basic subscribers.
\$1,196,764,000 in total dollar volume.

CORPORATE FINANCE

16 Transactions
\$279,925,000 in total dollar volume.

AGGREGATE VALUE OF TRANSACTIONS

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Is Tisch Selling CBS?

by J. Max Robins

Publicly, he's making nice. But as CBS struggles, he may take the money and run.

A phalanx of CBS honchos are gathered in New York to tout Pat Sajak's new late night talk show, which rolls out next January. CEO Larry Tisch and company are doing serious schmooze time with a small battalion of reporters about a lot more than Sajak's ability to generate a wheel of fortune for CBS. The network's affiliates haven't been pleased with the upheaval at CBS, so this is a good time to put the best corporate face forward and get the word out that better times are coming.

Since Tisch took control, CBS has caught more than its share of flack. Early on, there was bad press over network layoffs, especially in news. Dan Rather has had a streak of controversial and bizarre incidents. And the network has managed to finish the '87-88 season behind NBC and ABC in the ratings. All this doesn't break the Tiffany network, but it certainly mars the finish.

CBS's net may have risen 21 percent last year, but the sale of its magazine division contributed almost 40 percent of those profits. The \$2 billion sale of the record division to Sony will give this year's bottom line a one-time boost from that divestiture.

But the network's performance will be lackluster. CBS doesn't break out the figure, but the network had a mediocre year in 1987, considering the \$2.3 billion in revenues it generates—best guesstimates are it netted \$50 million, and that this year won't be any better.

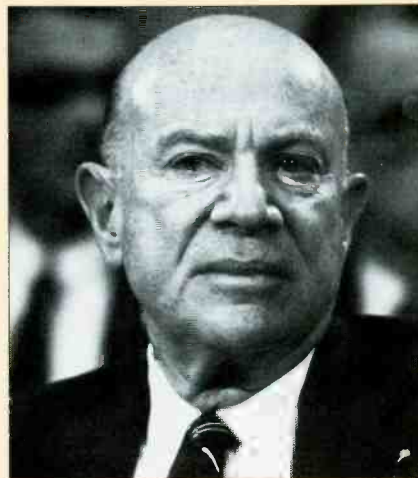
Tisch can't be pleased by the network's performance—more than one industry savant believes he's tiring of the headaches of his job and has a hidden agenda. The scenario goes something like this: Tisch solidifies his support on the CBS board—it's long been rumored that it's only a matter of time before brother Bob, Tisch's partner in the Loews Corp., joins the board. He's already consolidated his support at CBS corporate, where of nine original top executives, only Broadcast Group president Gene Jankowski remains. With a



unified board, Tisch then merges CBS into the Loews fold. Firmly in control, he sells the network at a premium, holding on to the four owned-and-operated stations, or sells the whole works and really cleans up.

Tisch owns about 25 percent of CBS stock, for which he paid \$951 million. At current market price, he'd make about \$300 million on his investment. The actual sales price would be considerably higher and push his gain to over \$500 million.

"I'd say the odds favor somebody other than Larry Tisch owning the CBS network two years from now," says Alan Gottesman, analyst at L.F. Rothschild & Co. Gottesman speculates the CBS network would fetch a minimum



Tisch: Analysts wonder how long he'll hold.

sales price of \$3 billion. "Even if CBS came up with another *Cosby* tomorrow, it would be a year before it had it on the air and another year before it could sell the higher numbers," he continues, building his case. "[The network business] is a hit-driven business. You can't do a business plan, and that may be too much for an outsider."

At the Sajak press conference, Larry Tisch reveals he's still a bit of an outsider. During a TV interview, he asks an aide why, if he's the interviewee, the cameraman is shooting over his shoulder—he doesn't know what a reaction shot is. Yet he appears to enjoy the limelight, engaging in easy banter with the press. He's asked if he has heard speculation from touts like Gottesman who think the network is on the block.

W e're investing a lot of money in programming to strengthen the network," he says with a touch of "c'mon, whaddya kidding me" in his voice. "We don't need Gottesman to tell us when to sell. If we wanted to sell the network, we'd sell it."

There are those who take Tisch at his word and believe he senses a social responsibility in his stewardship of CBS. "CBS will be in the Tisch family for generations," says David Londoner, v.p. of Wertheim Schroder & Co. "[Tisch] is part of that tradition that believes great media properties should be controlled by responsible families."

The fact that Tisch appears to revel in his public role as CBS's chief does not dissuade those who think he will sell in the not too distant future. "If Tisch were going to sell his network at a premium, would he act like he doesn't like doing what he's doing? He had more than enough money to buy his way into the limelight before and he never chose to do it," observes Gottesman. "Tisch is in a no-lose situation—there's no compulsion to sell. But if there's a buyer who wants it bad enough, he'll take [the offer] instead of going down a treacherous road in a dark forest." ●

Fastest Growing Advertisers

While they are not necessarily the largest advertisers in the two categories, the following companies made the biggest ad-budget increases from 1986 to 1987.

LOCAL SPOT:	NATIONAL/REGIONAL SPOT:
ADVERTISER (PRODUCTS INCLUDED)/ PERCENT GROWTH FROM 1986	ADVERTISER/PERCENT GROWTH FROM 1986
Thompson Co. (7-ELEVEN, CHIEF AUTO PARTS)/192%	Hyundai Corp. **/66%
Warner Comm. (MOVIES)/71	Mitsubishi Corp. **/62
Cotter & Co. (TRUE VALUE HARDWARE)/70	Hicks & Haas Co. */53
U.S. Shoe Corp. (LENS CRAFTER)/65	Mazda Motor Corp. **/36
Zayre Corp./53	Honda Motor Co./34
Collins Food Int'l Inc. (SIZZLER, NAUGLES)/43	Chrysler Corp. */33**
K-Mart*/40	General Motors Corp. **/31
Imasco Ltd. (HARDEE'S, PEOPLE'S)/32	Kellogg Co./29
Pillsbury Co. (BURGER KING, GODFATHERS)/29	Nestle S.A./22
Highland Superstores Inc./20	Ford Motor Co. **/19

* 1986 data adjusted to reflect mergers, acquisitions, divestitures in 1987.
 ** Includes company and its dealer associations, all products and services.
 Source: Television Bureau of Advertising from Broadcast Advertisers Reports data in top 75 markets.

Revenue by Subscriber, 1985-1987

The biggest MSOs don't necessarily garner the most revenue per subscriber. Out of the ten largest MSOs in 1987, only Cox and ATC rank among the top ten earners in revenue per sub.

MSO/Revenue per subscriber

1987*	1986	1985
Cablevision Systems Corp./\$34.69	Cablevision Systems Corp./\$39.93	Cablevision Systems Corp./\$37.44
Maclean Hunter/31.59	Prime Cable/29.00	Cable TV of Puget Sound/27.94
Media General/31.50	Maclean Hunter/26.61	Rogers Cablesystems/27.54
Cox Cable Comm./28.03	Telecable Corp./26.59	Simmons Comm./26.59
American Cablesystems/27.69	American Cablesystems/26.31	Maclean Hunter/26.22
Rogers Cablesystems/27.67	Colony Comm./25.95	Cablenet Assoc./26.00
Sonic Cable/27.51	Daniels & Assoc./25.91	Telecable Corp./25.76
Cencom Cable/26.83	Hauser Comm./25.76	Hauser Comm./25.68
Prime Cable/26.78	Sutton Capital Assoc./25.65	US Cable Corp./25.40
American Television & Comm. Corp./26.49	New England Cablevision/25.41	Colony Comm./25.29

* To September 1987
 Source: Paul Kagan Associates Inc.

★ RATINGS ★

TOP NETWORK SERIES

First 23 weeks of season: Sept. 20, 1987, through Feb. 28, 1988

SERIES/NETWORK	RATING/SHARE
1 The Cosby Show/NBC	28.2/44
2 A Different World/NBC	25.1/40
3 Cheers/NBC	23.8/37
4 Growing Pains/ABC	22.8/34
5 Night Court/NBC	22.6/35
6 Golden Girls/NBC	22.3/38
7 Who's The Boss?/ABC	21.7/33
8 60 Minutes/CBS	21.0/33
9 Murder, She Wrote/CBS	20.4/30
10 Moonlighting/ABC	19.3/30

TOP BARTER SERIES

First 24 weeks of season: Sept. 6, 1987, through Feb. 21, 1988

SERIES/SYNDICATOR	RATING
1 Wheel of Fortune/King World	17.7
2 Jeopardy!/King World	14.1
3 Universal Pictures Debut Network (movies)/MCA-TV	10.8#
4 National Baseball Network/Stuart Broadcasting	10.7#
5 World Wrestling Federation/Titan Sports/WWF	10.3#
6 Star Trek: The Next Generation/Paramount	10.1#
7 The Oprah Winfrey Show/King World	9.6
8 Columbia Night at the Movies/Columbia	9.0#
9 TV Net III (movie package)/Viacom	8.6#
10 People's Court/Lorimar Telepictures	8.1#

TOP CABLE NETWORKS

Average ratings/projected households, February 1988

NETWORK	7 A.M. TO 1 A.M.	PRIMETIME
1 WTBS	2.5/1,100,000	3.0/1,320,000
2 USA	1.2/ 509,000	1.5/ 636,000
3 ESPN	0.9/ 409,000	2.0/ 908,000
4 CNN	.7/ 313,000	.9/ 402,000
5 MTV	.7/ 258,000	.8/ 295,000
6 Nashville Network	.6/ 250,000*	1.2/ 484,000
7 CBN	.6/ 237,000	.5/ 198,000
8 Lifetime	.5/ 184,000	.8/ 295,000
9 Headline News	.4/ 120,000	.3/ 90,000
10 Discovery	.4/ 117,000*	.8/ 234,000

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

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HOME VIDEO

Top Videocassettes/Rentals

February 1988

TITLE/PUBLISHER	% TOP 50*
1 Platoon /HBO	7.9
2 Dirty Dancing /Vestron	7.6
3 Robocop /Orion	7.6
4 Predator /CBS/Fox	7.1
5 No Way Out /HBO	5.9
6 La Bamba /RCA/Columbia	5.0
7 Dagnet /MCA	4.4
8 Secret of My Success /MCA	3.2
9 Spaceballs /MGM/UA	3.1
10 Roxanne /RCA/Columbia	3.1
11 Lethal Weapon /Warner	3.0
12 Outrageous Fortune /Touchstone	2.6
13 Summer School /Paramount	2.0
14 Tin Men /Touchstone	1.9
15 Believers /HBO	1.9
16 Harry and the Hendersons /MCA	1.7
17 Big Easy /HBO	1.7
15 Raising Arizona /CBS/Fox	1.5
19 Fourth Protocol /Lorimar	1.5
20 Disorderlies /Warner	1.3

Top Videocassettes/Sales

February 1988

TITLE/PUBLISHER	% TOP 50*
1 Lady and the Tramp /Disney	8.3
2 Callanetics /MCA	4.9
3 Jane Fonda's Low-Impact Aerobics /Lorimar	4.8
4 Jane Fonda's New Workout /Lorimar	3.8
5 Star Trek IV /Paramount	3.3
6 Wizard of Oz /MGM/UA	3.1
7 An American Tail /MCA	2.9
8 Richard Simmons /Lorimar	2.6
9 Automatic Golf /Video Reel	2.5
10 Crocodile Dundee /Paramount	2.3
11 Thin Man (Shadows) /MGM/UA	2.3
12 Thin Man (Another) /MGM/UA	2.3
13 Mickey & Minnie /Disney	2.2
14 Sleeping Beauty /Disney	2.2
15 20 Minute Workout /Vestron	2.1
16 Sing Along Songs: Zip A-Dee-Do /Disney	2.1
17 Bugs Bunny's Whacky Adventure /Warner	2.1
18 Dirty Dancing /Vestron	2.0
19 Thin Man Goes Home /MGM/UA	1.9
20 Sing Along Songs: Bare Necessities /Disney	1.9

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

THE MAGID NUGGET

Does Cable Change the Tube?

How do people feel about regular TV once they become cable subscribers? Frank N. Magid Associates Inc. surveyed 1,000 households to find out viewers' preferences. Some highlights:

- Eighty-three percent of cable subscribers feel that cable offers some things not available on regular TV. Of that number, 29 percent cite "specific channels, movie or music channels"; 24 percent cite "more, better sports"; 26 percent cite "more, better movies"; 22 percent cite "more choice in programs, more channels"; and 15 percent cite "more, better news, weather."

- Twenty percent of cable subscribers say that almost half the programs they watch during a typical week are available only on cable.

- Since getting cable, 44 percent of cable subscribers spend more time watching TV, and slightly over half (51 percent) watch the same amount. Four percent spend less time with TV since subscribing to cable.

Top Cable Deals in History

The biggest proposed deal was the Comcast/ATC/Taft Cable Partners bid for Storer at \$2.8 billion, a billion more than the top deal below. While it has fallen through, it may resurrect in another form.

BUYER	SELLER	DATE	PRICE (MILLIONS)
Time Inc., TCI, Comcast et al.	Westinghouse (Group W)	12/85	\$1,730
Kohlberg, Kravis, Roberts	Storer Communications	7/85	1,610
United Artists Communications	United Cable	3/88	1,600* (merger)
National Amusements	Viacom International	3/87	1,361
TCI, Heritage Management	Heritage Communications	1/87	1,126
Cox Enterprises	Cox shareholders	12/84	795 (60%)
Westinghouse	Teleprompter	12/80	764
Jack Kent Cooke	McCaw Communications	1/87	755
Times Mirror	TCI/UACI	9/87	750**
Continental Cable	American Cablesystems	10/87	735

*Both UA and United Cable have agreed to merge, but the deal is subject to stockholder and SEC approval, as well as other conditions. The amount is UA's estimate.

**Swap of properties.

Source: Paul Kagan Associates Inc., except UA/United Cable.

DEALS

First Boston Leadership

Investment Banking: Media

\$430,000,000

Paragon Communications

*a partnership equally owned by affiliates of American
Television and Communications Corporation*

and

Houston Industries Incorporated

Multi-Market Non-Recourse Project Financing

*The undersigned acted as financial advisor to
Paragon Communications.*

\$125,000,000

Time Incorporated

9½% Notes Due 1994

*The undersigned acted as Sole Manager
of the above offering.*

Gaylord Broadcasting Company

has sold

WVUE-TV

(New Orleans, Louisiana)

to

Burnham Broadcasting Company, L.P.

*The undersigned acted as financial advisor to
Gaylord Broadcasting Company.*

King World Productions, Inc.

*has repurchased approximately 4.4 million shares
of Common Stock through a self tender offer
and a privately negotiated transaction.*

*The undersigned acted as financial advisor to
King World Productions, Inc.*

Turner Broadcasting System, Inc.

*has sold Securities representing
approximately 37% of the equity
interest in the company to
a group of cable television operators*

led by

Time Incorporated
Tele-Communications, Inc.
United Artists Communications, Inc.
United Cable Television Corporation
Warner Cable Communications, Inc.

*The undersigned acted as financial advisor to
Turner Broadcasting System, Inc.*

Heritage Communications, Inc.

has been acquired by

Tele-Communications, Inc.

*and certain members of the management
of Heritage Communications, Inc.*

*The undersigned acted as financial
advisor to the Board of Directors of
Heritage Communications, Inc.*



First Boston
Investment Bankers

CABLE HOLDING ITS LEAD

Cable still dominates the stock tables, registering no losses in performance between year-end 1987 and the end of February 1988. Production companies seem hardest hit, almost a third losing ground on the exchanges. Orion, though, had the biggest gain of all companies.

	2/29/88	12/31/87	% CHANGE
BROADCASTING			
United Television	27.50	21.00	31.0
TVX	4.00	3.25	23.1
Westwood One	22.25	18.50	20.3
Jacor	5.25	4.50	16.7
LIN Broadcasting	50.75	43.88	15.7
Chris-Craft	21.00	18.25	15.1
Clear Channel Comm.	14.00	12.25	14.3
Malrite Comm.	6.75	6.00	12.5
Liberty	39.75	35.50	12.0
CBS	170.25	157.00	8.4
Westinghouse	53.25	49.75	7.0
Infinity	20.00	18.25	6.7
General Electric	45.50	44.13	3.1
GenCorp	22.75	22.25	2.2
Park Comm.	25.50	25.00	2.0
Capital Cities/ABC	350.50	345.00	1.6
Scripps-Howard	78.00	78.00	0.0
Price Comm.	8.25	11.00	-25.0
CABLE			
United Cable	30.38	22.38	35.7
Jones	12.63	9.63	31.2
Centel	42.75	35.50	20.4
Cablevision Systems	30.88	26.13	18.2
Tempo Enterprises	8.25	7.00	17.9
Time	91.88	82.25	11.7
Home Shopping Network	6.00	5.38	11.5
TCI	26.13	23.63	10.6
Comcast	26.00	24.63	5.6
ATC	24.75	23.50	5.3
American Cablesystems	46.13	44.50	3.7
Turner Broadcasting	11.13	10.88	2.3
Financial News Network	6.88	6.75	1.9
Scott Cable	26.00	25.75	1.0
TCA	29.00	28.75	1.0
Century Comm.	17.75	17.75	0.0

	2/29/88	12/31/87	% CHANGE
DIVERSIFIED			
Viacom	23.63	18.13	30.3
Media General	46.25	36.25	27.6
Warner	33.25	27.63	20.3
McGraw-Hill	57.75	48.25	19.7
Washington Post	216.00	187.00	15.5
Knight-Ridder	44.38	40.13	10.6
Multimedia	58.50	53.50	9.3
Lee Enterprises	25.25	24.00	5.2
Meredith	31.00	30.00	3.3
New York Times	31.75	31.00	2.4
Tribune	40.88	40.13	1.9
Times Mirror	37.75	37.88*	-0.3
News Corp.	16.75	16.88	-0.8
A. H. Belo	47.50	48.50	-2.1
Gannett	37.00	39.13	-5.5
PRODUCTION			
Orion	19.38	10.75	80.3
DeLaurentis Ent.	1.13	.75	50.7
MGM/UA Comm.	8.88	6.25	42.1
Barr's	9.63	6.88	40.0
MCA	46.75	34.50	35.5
Republic Pictures	5.38	4.25	26.6
Vestron	4.50	3.75	20.0
King World Prod.	20.88	17.75	17.6
Aaron Spelling	5.25	4.63	13.4
Gulf + Western	77.13	71.13	8.4
Playboy	13.13	12.63	4.0
Lorimar-Telegistics	10.63	10.25	3.7
Walt Disney	61.38	59.25	3.6
Hal Raach Studios	4.38	4.38	0.0
Reeves Comm.	6.25	6.38	-2.0
Coca Cola	37.38	38.13	-2.0
Heritage Ent.	3.00	3.13	-4.2
Fries Ent.	2.13	2.38	-10.5
Tri-Star (Columbia)	7.13	8.13	-12.3
New World	2.50	3.13	-20.1

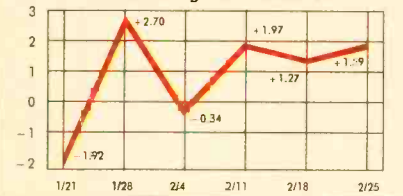
*100% stock dividend, paid 12/31/87. Source: Media Business News.

Industry Segment Profiles

Each index is an average of 12 companies' stock performance, reflecting that segment of the industry: Electronic, pure TV, cable, etc; Diversified, holdings in more than three areas of the media; and Production, pure TV programming. The Dow Jones is provided as a reference.

Dow Jones Industrials

Percent Change From Week Prior



Diversified Index

Percent Change From Week Prior



Electronic Index

Percent Change From Week Prior



Production Index

Percent Change From Week Prior



This announcement appears as a matter of record only.

NEW ISSUE

March 1988

\$150,000,000



Summit Communications Group, Inc.

\$15,000,000

Series A Senior Notes Due 1998

\$59,000,000

Series B Senior Notes Due 2000

\$21,000,000

Series I Subordinated Notes Due 2000

\$55,000,000

Series II Subordinated Notes Due 2000

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PaineWebber Incorporated

by Michael Pollan

PROGRAM
NOTES

New Orleans Banquet

Frank's Place serves up a mix of French Quarter characters and plots that is nothing short of revolutionary.

“Revolutionary” seems like a loud, hypey word to describe a show as low-key as *Frank's Place*, but it happens to be accurate. This half-hour CBS comedy, created by Hugh Wilson, the creator of *WKRP in Cincinnati*, doesn't so much trample the conventions of sitcoms and black television shows as it quietly steps around them, and proceeds simply to go its own way. The result is a sitcom of uncommon freshness, and a “black” show of uncommon dignity.

The premise is basic fish-out-of-water. Frank Parrish (Tim Reid, who was deejay Venus Flytrap at *WKRP*, and doubles as co-executive producer here) plays the fish: a lightly starched Boston college professor who inherits Chez Louisianne, a New Orleans creole joint. Along with the restaurant comes its crew of sharply drawn local eccentrics: Big Arthur, the scowling cook; Anna May and Miss Marie (respectively, a sharp-tongued waitress and queenly waitress emeritus); Tiger, the snow-haired elf who tends bar; and the two white characters, Bubba Weisberg, a sleepy, sadsack Jewish lawyer; and Shorty, an assistant chef who speaks in such a thick cajun patois he sometimes needs subtitles.

Add the odd hangers on, some fine ensemble acting and workplace comedy, and you have the recipe for a black, New Orleans *Cheers*. Which is probably what CBS thought it was getting. The pilot promised exactly that, right down to the credit sequence of sepia-toned still photographs. But since the first episode, *Frank's Place* has proved to be something very different. First, the show is shot on film without a laugh track. Second, the comedy often has little or nothing to do with the show's ostensible situation. Third, it isn't always comic. I don't mean that it mixes drama and humor in the manner of “dramadies,” with which it is often lumped.



Tim Reid as Frank Parrish and Daphne Maxwell Reid as Hanna Griffin spice up *Frank's Place*.

Hooperman, *The Days and Nights of Molly Dodd* and *Slap Maxwell* (all shot on film without laugh tracks) also defy sitcom convention, but only in order to substitute a new formula, one in which poignant or bittersweet scenes alternate with overtly comic ones in the appealing but predictable rhythm that Steven Bochco more or less invented in *Hill Street Blues*.

In *Frank's Place*, whole episodes can turn out comic or dramatic; it all depends on the story being told. That's a simple principle, but a radical one in se-

ries television. Consider two recent episodes: One tells a broadly satiric story about the day a Hollywood film crew came to shoot a scene at the Chez. Most of the show's regulars had the week off, as the writers set about skewering the pretensions of assorted Tinseltown types. Another week, the Chez got sued by the family of a man who drove off a bridge after getting drunk at the Chez. Bubba discovers the man was destitute and had terminal cancer; he'd set up his suicide to leave his family a liability-insurance windfall. When Bubba tells the man's wife that the claim will put the Chez out of business, she drops the suit: Her husband meant only to burn an insurance company, not a local black institution where, she recalls, she and her husband "were always treated like ladies and gentlemen." "He should have gone to a big hotel downtown and done it—one of them chains," she says at the end of an episode so dark it contains not a single laugh.

What formula could possibly have accommodated two such different stories? None known to television, which is why—so far, at least—there doesn't seem to be a *Frank's Place* formula. Instead of concocting plots to fit a formula, *Frank's Place* tells stories about its characters and its painstakingly evoked locale, inventing a tone and rhythm, sometimes even a distinct visual style, to suit each week's narrative. The writers simply don't bother with the clockwork gags or the happy ending or the tried-and-true ticks of character and canned bits of byplay that get most sitcom writers through the week.

Just as refreshing, the show makes no big deal about its approach; there's none of that *St. Elsewhere* watch-us-push-the-network-envelope self-congratulation. The producers here don't hit us over the head with their invention; they simply possess that confidence in storytelling we've come to expect from Southerners (Reid grew up in Virginia, Wilson in Florida) and which is virtually unheard of in half-hour series. They are making ad hoc television, and though it could very well ossify at some point, right now it's as fluid and fresh as anything on TV.

Frank's Place is as relaxed about race as it is about television's forms. Here too, it disregards convention and goes its own way. Although black TV series have changed in important ways over the years, most still fit into one of two comic traditions. (No dramatic black series has ever succeeded.) The first, which goes all the way back to *Amos*

.....

Frank's Place
wears neither
the smile of
Louis Armstrong
nor the scowl
of Miles Davis.

.....

and *Andy*, relies largely on racial stereotypes: the Uncle Toms, Mammies, jive-talkers, shiftless shufflers, bug-eyed children, sassy maids and buffoons of a dozen different stripes. Not all these shows have been racist. Many (including the "liberal" black shows of the '70s, and Eddie Murphy's TV comedy) conjured black stereotypes in order to ridicule them. Even so, none of these shows and performances could ever get past the stereotypes or put anything in their place; they depended on the stereotypes for their laughs. If the early shows indulged white bigotry, the later ones complimented whites on their enlightenment. Both view blacks through the screen of white perceptions, even if those perceptions are now acceptable targets of satire.

The second tradition, which originated 20 years ago with the premiere of Diahann Carroll in *Julia*, tries to get around racial stereotypes by bleeding every trace of color from its characters and plots. *The Cosby Show* is, of course, the most successful of these color-blind series, which flatter white audiences by suggesting that race is no longer a serious problem. Evidently we have created a world in which blacks can live as harmoniously and prosperously as the Huxtables do: The door stands open. *Cosby* absolves us of any lingering racial guilt (as he absolved Jimmy the Greek during last winter's flap), and we repay him with astounding ratings.

Dr. Alvin Poussaint, the Harvard psychiatrist who is billed as a consultant to *Cosby*, must have annoyed his benefactor mightily when he told *Newsweek* recently that *Frank's Place* is "the first black program since *Roots* to take black culture seriously. It's a breakthrough." And indeed it is. *Frank's Place* sidesteps both traditions of black television, and all the usual strategies of ingratiation. Not that the show is confrontational: It wears neither the smile of Louis Armstrong nor the scowl of Miles Davis. In fact, it doesn't seem overly

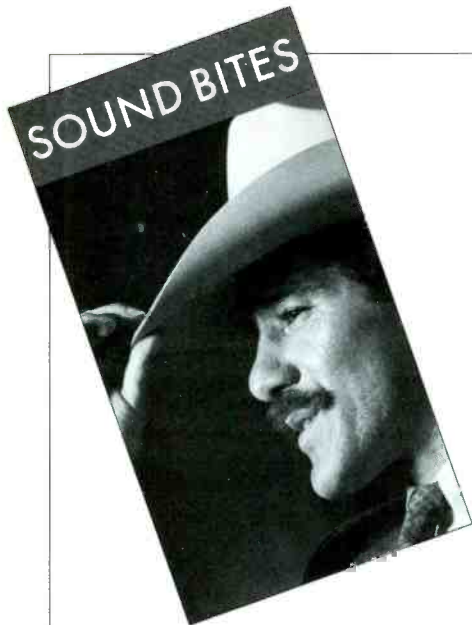
concerned one way or the other with the face it presents to the white world.

Frank's Place's "breakthrough" is actually a simple matter of finding a specific black milieu and taking it seriously. New Orleans gives the writers a vibrant black community to explore, one proud and protective of its musical and culinary traditions. The plots of several episodes this season have turned on questions of cultural pride and independence that might have seemed portentous had they not been phrased in New Orleans' distinctive idiom. In one, Big Arthur learns that the chef of L'Etoile, a world-famous French Quarter restaurant, and the author of a best-selling cookbook, has been stealing his recipes. He challenges the white chef to a boxing match, with the loser publicly admitting his theft. The episode (which must have given Paul Prudhomme indigestion) builds to a *Rocky* finale, black fighting white in a mock battle for cultural primacy. The black man wins.

In the season's funniest episode, Frank hires a high-powered restaurant consultant to beef up business. The consultant, who is white, advises Frank to put more salt in the food, install a take-out window, stage live music at night and advertise the Chez to white tourists. Frank gives it all a try (except the salt: He points out that blacks have trouble with high blood pressure), with predictably disastrous results. Camera-toting tourists, in Bermuda shorts and Mickey Mouse tee shirts, show up looking for "the real thing." The take-out window brings in neighborhood women who hit the roof upon finding their husbands, thought to be at work, hanging out at the Chez bar. And the band hired by the booking agent turns out to be a group of whitebread folkies called the Haystackers, who break into "gonna jump down turn around pick a bale of cotton" to the acute embarrassment of all. Needless to say, Frank decides the Chez is better off without the tourist trade.

Both of these stories grow out of the show's very specific milieu, and that specificity, finally, is *Frank's* greatest strength and innovation. Sure, these are stories about race, but they don't carry the usual television burdens of generalization. Because the show achieves such a precise sense of place, and because it populates that place with nuanced local characters rather than abstract ethnic types, *Frank's Place* earns the freedom to wear its racial themes lightly. It says only, This is how it is here.

Modest, yes, but revolutionary, too. ●



Pushing the Limits of Talk-Show TV

Daytime personality or hard-edged reporter?
Geraldo Rivera says critics are
the only ones asking him to choose.

In early 1987, when *Tribune Entertainment* unveiled its plans for Geraldo, a daily talk show, few programmers expected success. Geraldo Rivera was not known for his likable personality. First as a reporter for WABC-TV in New York, then during seven years with ABC's *20/20*, Rivera had earned a reputation for tough investigative reporting, not daytime-style chat. Rivera proved his detractors wrong, however—and not for the first time. He recently talked with Channels editors Cecilia Capuzzi, John Flinn and Neal Koch about his new life in syndication.

What Makes a Talk Show Work

The host is the engine that drives the bulk of it, at least initially. And if the audience rejects the host, then the talk show has no chance of making it, even if the topics are great, even if the guests are great.

Because I was best known for aggressive investigative reporting, [the critics] didn't think I could make it in the much more gentle setting of a talk show. But what the audience knew that the critics didn't know was that, just like most people, I have the full range of human emotions. I don't go through life crashing through doors. I only do that when there's something on the other side that I want to see real bad.

Rock-and-Roll Television

If I sit down to do an interview with a newsmaker, I think my strength has always been an absolute reliance on pre-researched data that I have in my head, eye-to-eye contact and paying attention. And that's basically what I do [on

Geraldo]. These shows are scripted for the first 90 seconds, and then the rest of it is rock-and-roll television. It's really spontaneous. It's improvisational. The audience is tremendously helpful, because they come up with the questions that either you knew too much to ask, or you just didn't think of.

How TV Journalism has Changed

In a way, it has gotten less courageous—more technologically innovative, less substantively innovative.

Let me be specific. I started out doing fluff at WABC's *Eyewitness News*, because I was a radical lawyer and they were very afraid of what I would do on television. But I earned my spurs and became an investigative reporter, and did some very good, award-winning stuff there. That was 1970, '72.

By 1973, virtually every local station had an investigative unit. Certainly Woodward and Bernstein and the whole Watergate era helped that trend. Then you had the lawsuits around 1980, Westmoreland's being the most notorious but certainly not the only one—there were dozens and dozens. They really did have a chilling effect. Although you won't find many broadcasters who will admit it, television now is very often much less aggressive than it was.

The Risks of Investigative Reporting

Number one is the legal risk. Even if you win the lawsuit, you only win at a tremendous expenditure of time and energy—and money. It's almost like there's a malpractice crisis in journalism now. Second, investigative report-

ing takes time. It takes months and months. And there's no guarantee of a payoff. You can cover a news conference and you're sure you're going to get 90 seconds' worth of air out of it. You can't go into an investigative report with that kind of certainty—you'd get sued a lot more often. If you try to make a story where none exists, you really have some problems.

Blame Al Capone

When you strip away the theater in the *Al Capone's Vaults* show—strip away the live event—what you had was a very substantive hour-long documentary on a notorious figure in the history of organized crime in this country. Of the two hours, an hour was a damn good documentary program, regardless of the fact that nothing turned up in the vault. Sure, it was an embarrassment to me. Sure, it was disappointing. But the people didn't blame the messenger for the bad news, ultimately. The critics may have, but the audience didn't.

The ABC Experience

It's very easy for me to put them down, now that I don't need them. But I am so past that. I was a senior producer at *20/20*. I had an enormous amount of editorial freedom there. The process was, I would go to Av Westin, [then] the executive producer, and say "Av, I want to do a story about XYZ." He'd say yes or he'd say no. Having once said yes, the next time I saw him was with a rough cut. Now, that's a tremendous amount of editorial freedom.

On *20/20*

I think that *20/20* is a perennial. *20/20*

will be around for a long time—maybe forever, like *60 Minutes*. Not as successful, but I think that it will enjoy its modest success indefinitely.

Gunning for Ratings

Ratings are a reality, and to deny that is to be very unrealistic. What you try not to do is pander to them—that's an easy trap to fall into. Roone Arledge, of all people, told me once, "The worst thing you can ever do is to prostitute yourself and then not have someone come and offer you a trick." Do topics designed strictly for ratings, and people will see through it and not watch.

It's a balancing process between the commercial realities of any kind of television—whether it's real-life, news, entertainment—and your own aesthetic values. It's a war that I am sure that Donahue fights and Oprah fights and *World News Tonight* fights.

The Limits of Syndication

At *20/20*, I was on the air a minimum of 33 times a year. That's a hell of a lot of 16-minute, all-on-location stuff. I was on the road virtually every day of my life. But what I had was the opportunity, because of tremendous network backing and its deep pockets, to do adventures: Going to ride with the whales in the Atlantic Ocean and being able to hang out for six days until we got the shot; running with the bulls in Spain; going behind the lines in a war situation. Those are the things I miss.

I am committed to taking *Geraldo* on location. But even moving the show around, I won't be able to hang out in the Atlantic waiting for one shot of me on a whale. That's the frustration.

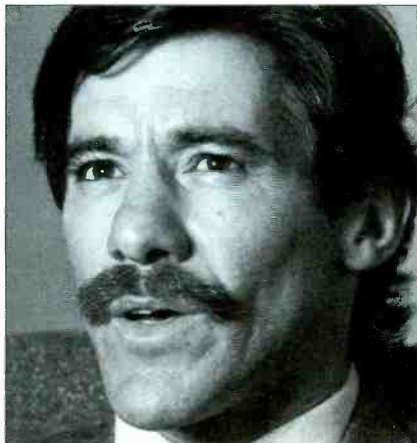
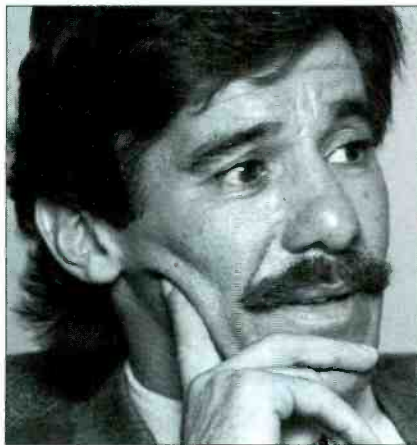
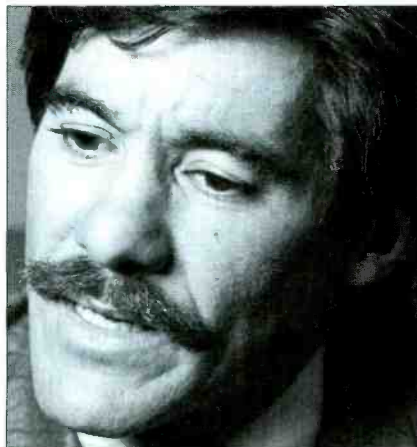
The Rewards of Syndication

The obvious attraction is being in business for yourself. You don't get fired if you have a fight with the boss, because you are the boss. You participate in the bottom line, and with success there is a tremendous amount of money that can be made. On the other hand . . . Vegas is probably a better gamble than syndication. It's a real gulp when you say, "Okay, I'm going to leave the security of the network and go into the world of syndication as a partner."

Going with Tribune

I couldn't buy a lunch with anybody before *Capone*. For four months, between December of '85 and April of '86, I was the most famous unemployed person in America. The day after *Capone*, every syndicator called me. Every one of the majors. The advantage that Tribune had was, they said, "We'll give you some prime time specials, right now if you want them. Then we'll work

'Ratings are a reality. What you try not to do is pander to them. Do topics designed strictly for ratings, and people will see through it and not watch.'



out what else we can do."

Good-Night, Geraldo

What I initially suggested to Tribune, after the specials, was to redo *Good Night, America*, which was an ABC late-night show that I put on the air from 1973 to '77. I owned the title to it. But at the time, [*The Late Show Starring Joan Rivers*] and [*Nightlife with David Brenner*] were coming out. And Tribune said, "There seems to be a crowd in that field. For eight years, we put on a guy named Phil Donahue. Would you ever consider a move into daytime programming?" And I said, "It's not anything I had ever thought of, but let's do the show."

America's Hispanic Television

The problem is that the companies are so tightly held that they don't pay producers enough to do quality work. It's easier for them to buy English-language stuff and dub it. But I really do think that there is an emerging market. Take Cheech Marin's movie *Born in East L.A.* It was released in Spanish also, and it did big business. The run into Latin America was huge.

I want to do a bilingual newsmagazine, something like *Hispanic Highways*. Maybe I won't even be on; maybe I'll just be a producer.

Busting the Glut

Geraldo is not very expensive [to produce]. I want to make it more expensive. I think that's where the new frontier in the talk-show battle will be. It won't be the "glut," so called, because that will iron itself out. The battle will come where it has historically—in getting the timely guest, the big guest. Because those guests are finite.

The real battle will be technological, in the sense of: Who is doing the on-location pieces? Who is doing the satellite interviews?

I think the profit margins [for producers] will shrink as the programs get richer. And I think that's a good thing. I'm all for it. You don't have to make Donald Trump-type money on this.

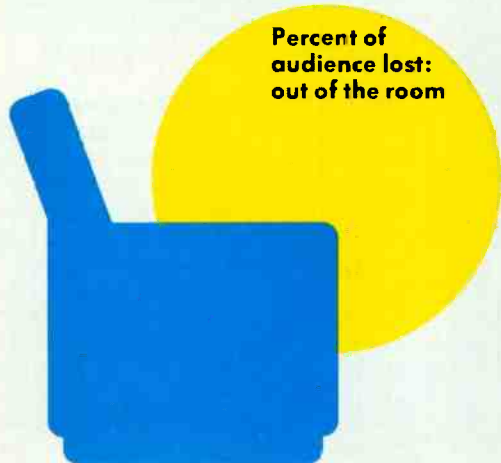
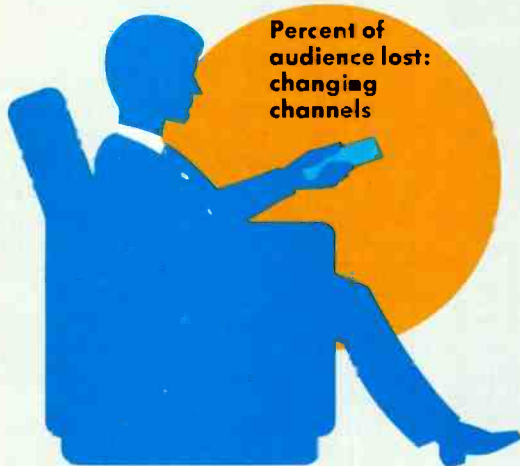
His Right to be a Newsmen

People have to recognize that I don't just sing one song. I'm like the Sunday newspaper: There's a hard-news section, there's a human-interest section, there are sports and style sections. I get very passionate about some things; I get very angry. I'll defend myself with violence if I have to. On the other hand, I get real sappy and schmaltzy, and I cry when things hurt me. And if there are [critics] who think that I have forfeited my right to be a newsmen, I say bullshit. ●

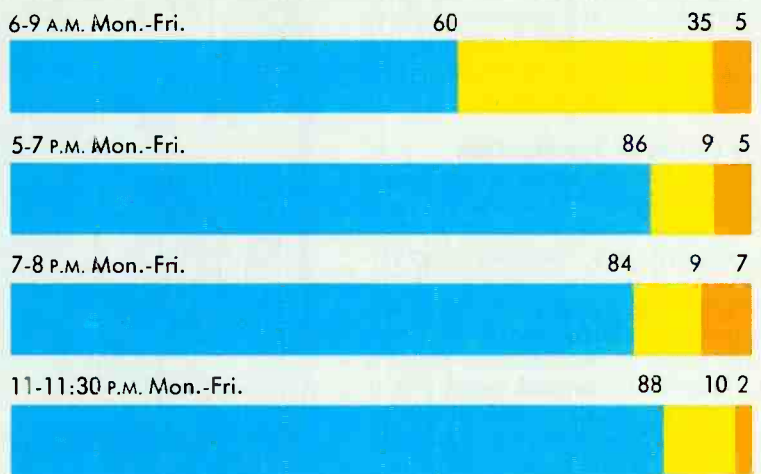
RUNNING THE NUMBERS

Who's Still There To Watch the Ads?

How many viewers actually watch a commercial? R.D. Percy & Co. reports that its advanced people meters, equipped with heat sensors that detect viewers present, indicate that spots retain, on average, 82 percent of the average-minute ratings for the quarter hour. During early morning news programs, "commercial efficiency" (as Percy calls it) is lower because so many people are bustling about, out of the room (yellow), but the rate rises at night.



Efficiency of spots during news programming



Efficiency of spots during sports programming



Source: December and January ratings in New York market, R.D. Percy & Co.

Katz American Television,
representing major market affiliates

Katz Continental Television
representing medium and smaller market affiliates

Katz Independent Television
representing independent stations exclusively



Katz Television Group.
The best.



Once in a while we'll lose a viewer or two.

It's bound to happen.
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they have other things to attend to.
Like each other.
That's why over 25 million viewers make love, soothe their
infants, and pay their bills with us in their lives.
And while America grows older,
VH-1™ is adding millions of loyal video music fans each year.
Because we've got exactly what they're looking for.
Even if they're not watching.