

**EXCLUSIVE SURVEY:
HOW AMERICANS WATCH TV**

CHANNELS

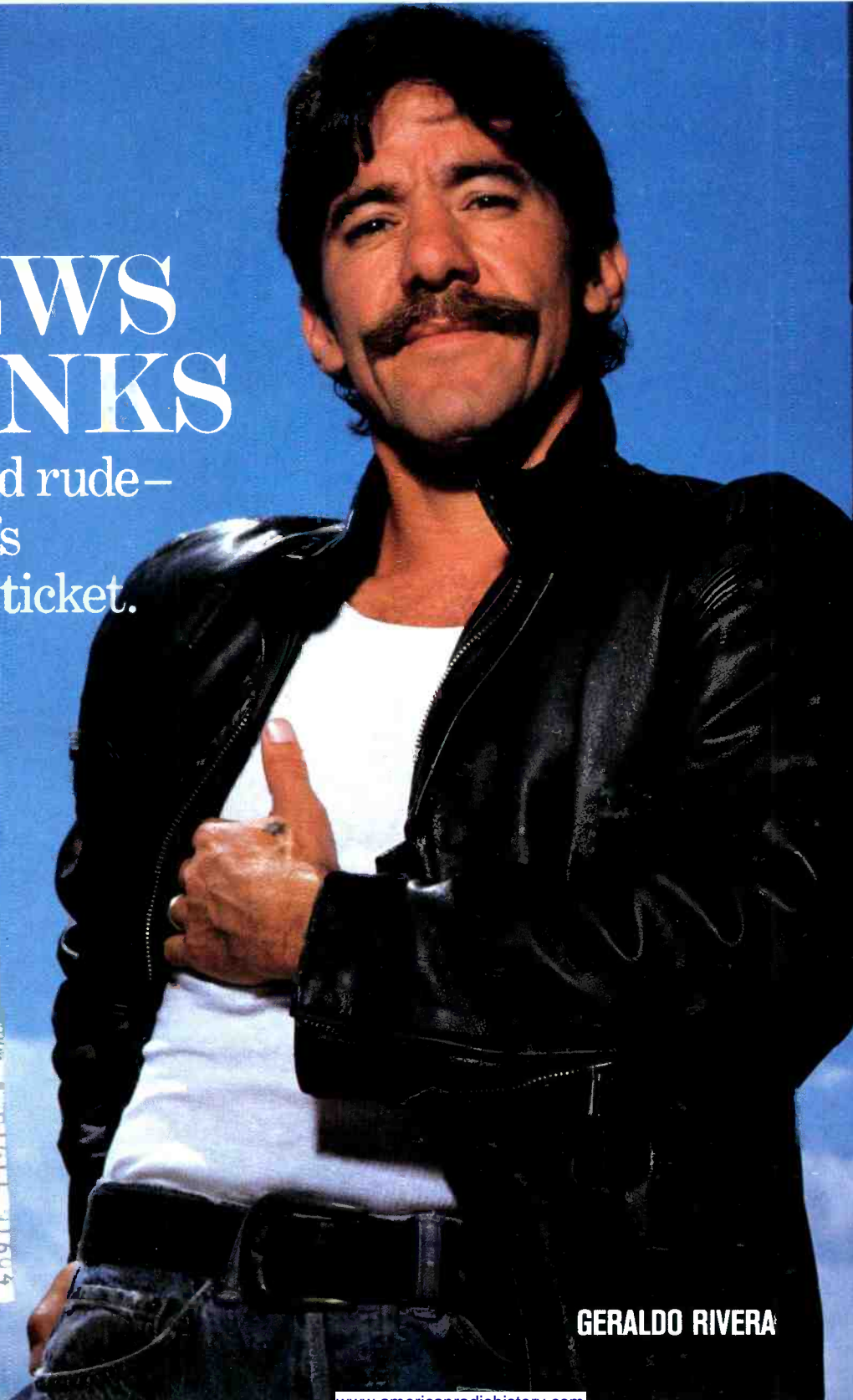
SEPTEMBER

THE BUSINESS OF COMMUNICATIONS

1988

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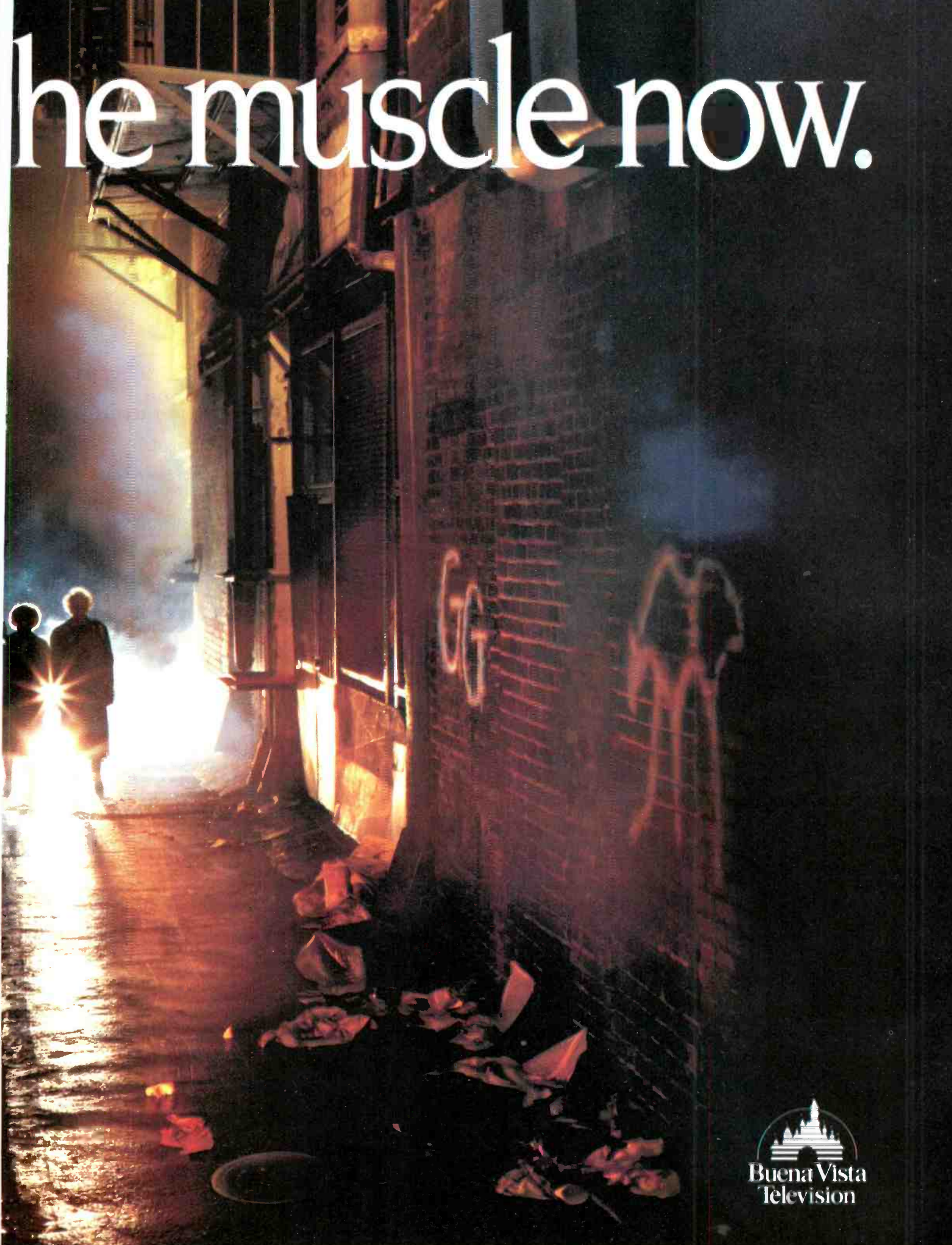
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CBS O&O

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CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 8, NO. 8

SEPTEMBER 1988



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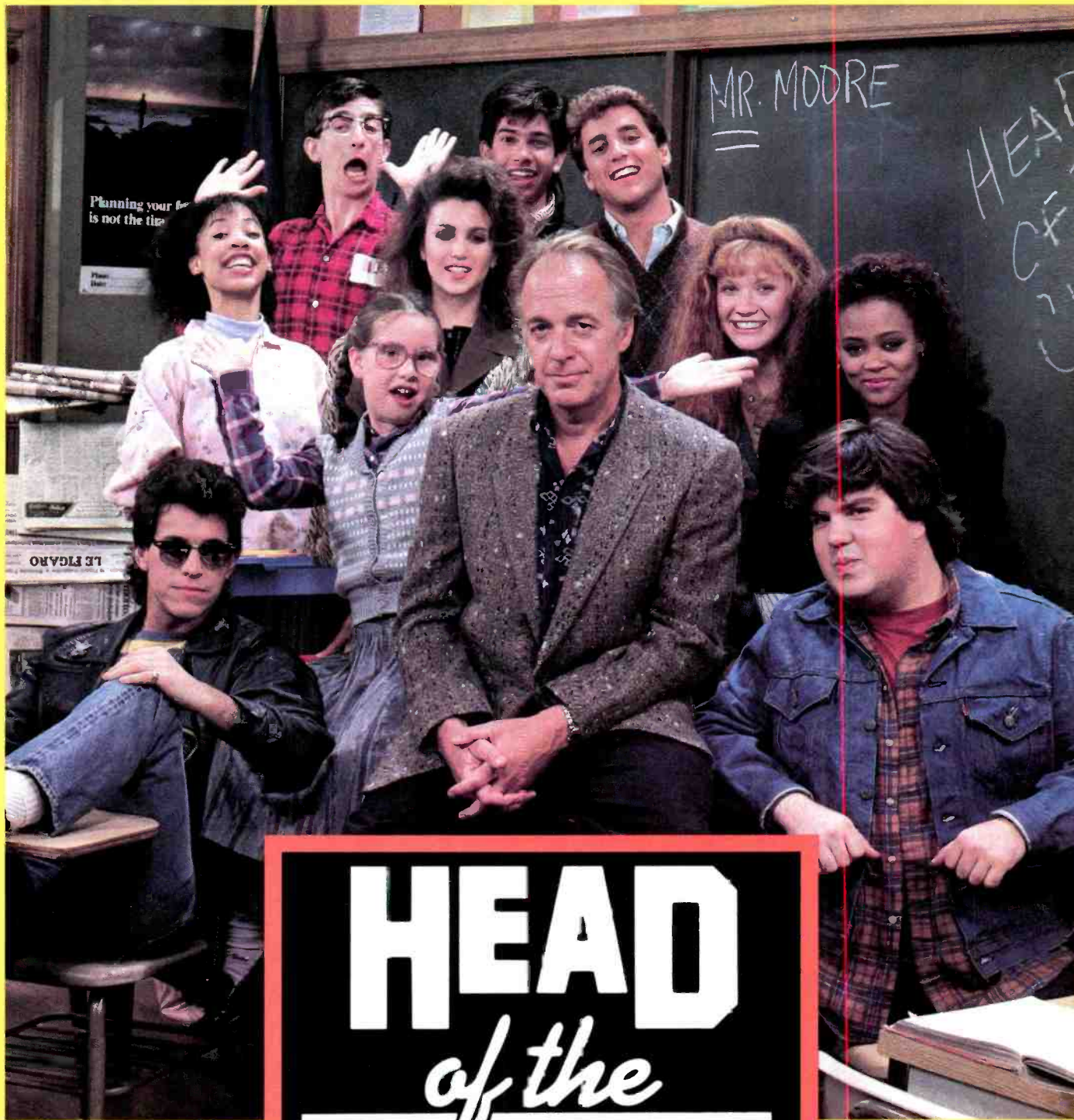
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Cover photograph by Reudi Hofman



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Harvey Mars
President and General Manager
WXIA-TV, Atlanta

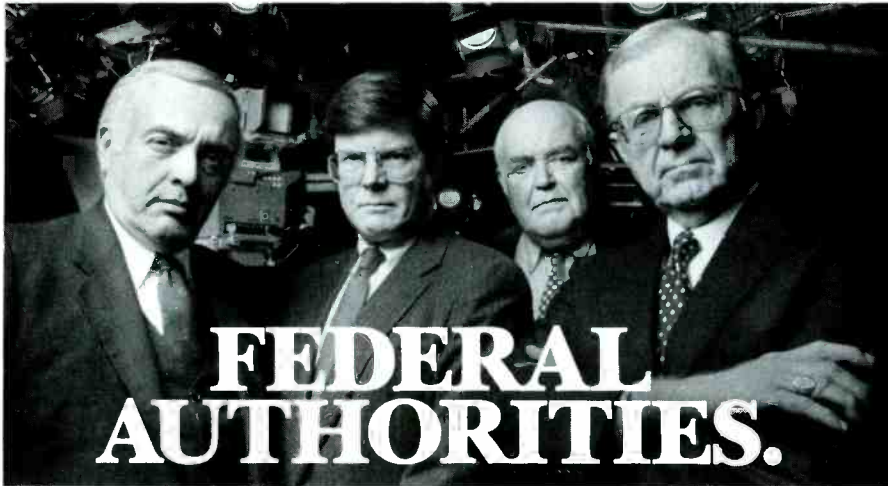
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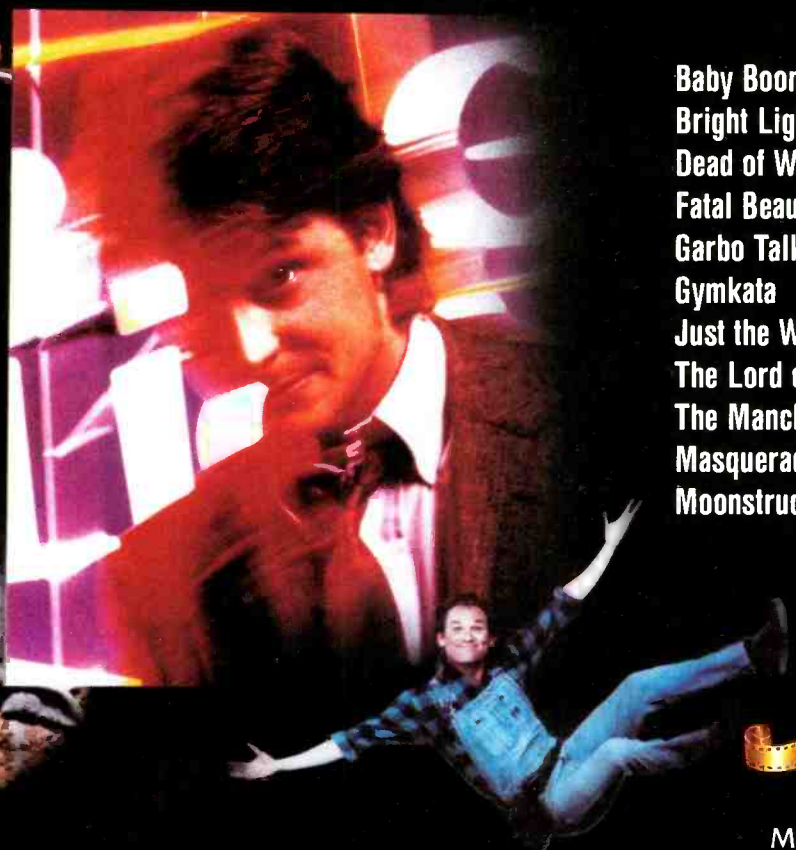
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CHANNELS
THE BUSINESS OF COMMUNICATIONS

The Business Magazine for
Television Professionals

EDITOR'S NOTE

How Americans Watch TV

September's *Channels* offers a variety of important stories, but we're particularly excited about a major national study we're publishing on how Americans watch television. The research firm regularly retained by *Channels*, Frank N. Magid Associates, was commissioned for the project. *Channels* staff members have become increasingly convinced that the relationship between the viewer and both the set in the home and the programs and services offered on television have changed dramatically, a result of the proliferation of remote-control devices and the national explosion in cable television. This comprehensive study, perhaps the most thorough look ever at the ways people use their televisions, confirms many of our premises. People are "grazing" through the dial in remarkable numbers, and their historic loyalties are evaporating. They're on the prowl for something different. Moreover, they've adapted enthusiastically to the technological changes of remote control, cable TV and video recorders—which have, in turn, created an increasingly sophisticated and discerning audience, one that is rarely satisfied with conventional fare.

"What struck me," observes David Daugherty, a Magid senior research analyst and director of this *Channels* research project, "was that there are clearly differences between how people watch TV by age groups. The pattern is changing and changing very rapidly. And not only are there important technological improvements in people's homes, but they really use them. The technology is changing the behavior and is certainly, clearly changing the pattern of TV viewing." Daugherty says the research has meaning for most industry segments. "People are just jumping around so much that holding their attention is becoming more and more difficult," he warns.

The nine-page package of stories stemming from the study focuses on both the "grazing" phenomenon and on the public's ambivalent attitude toward television watching. The provocative lead story, written by *Channels* executive editor Peter Ainslie, focuses on the larger conclusions of the study. The survey's random telephone interviews with 650 TV set owners yielded information that is also featured this month in our Data Base department and will continue to be released in various forms in coming issues.

Daugherty notes that unlike much of the Magid group's research, this isn't a study that "a TV station could take and make literal decisions about." For the conclusions raise important issues about the public's habits. What we hope the research does is expand the available information and the dialogue on the changing state of the television marketplace. We welcome your feedback on the research and, of course, anything else in this month's *Channels*. Undertaking our own methodical research is just one component of our mission as the business magazine for television professionals.

Merill Brown

**LATE
NIGHT
STALE?
GET
FRESH
BENNY!**

**NEW YORK: BIGGEST 11 PM
RATING/SHARE IN 7 YEARS!**

With little fanfare, W^{VO}R premiered the fresh *Benny Hill Show* on June 27.

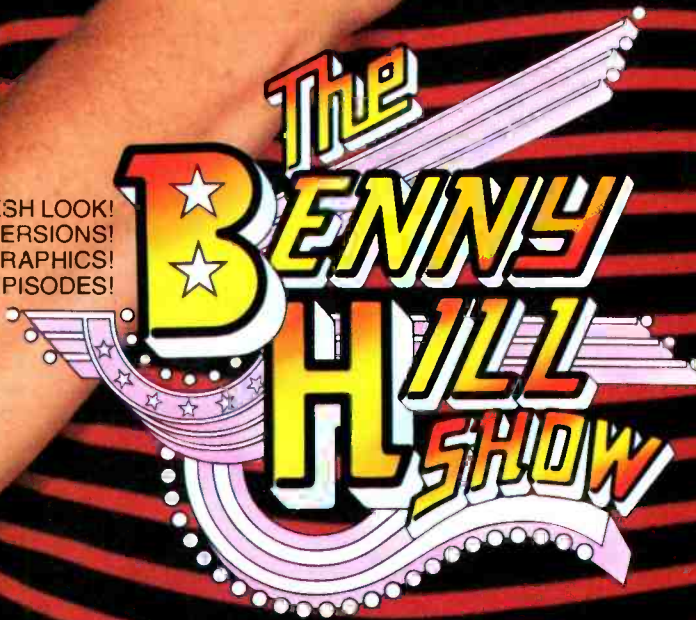
His very first week, Benny increased the time period audience by 100%. And he continued to build—averaging a 5 Rating and 10 Share from debut through July.

Bottom line: it's the station's best time period performance since November '81!

Fresh Benny means fresh late-night excitement—and fresh audience appeal for your station—right now.

SOURCE: NSI Overights, July 7 through August 3, 1988.

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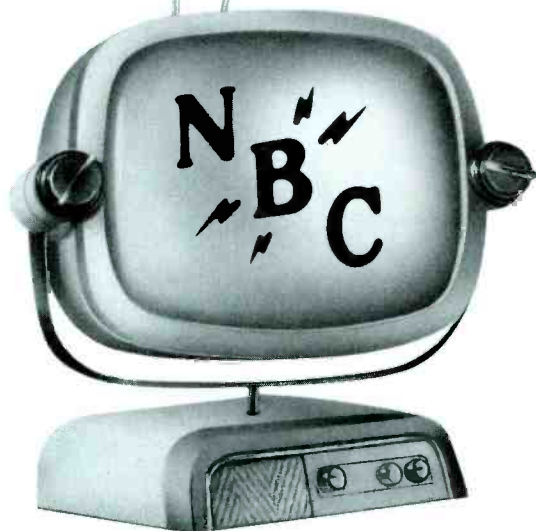
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IN 1946 NBC MADE TELEVISION NEWS.

FOREMOST.

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IN 1988 CNBC MAKES CABLE BUSINESS NEWS.

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Cosby's Credits

Why did you neglect to mention that no white artist has, to the best of my knowledge, ever been credited in a television series ["Cosby and Black Artists: Is Exposure Enough?" May]? Are you a racist or is this the editorial policy of your publication?

Caryn Sneider Mandabach
President, The Carsey-Werner Co.
Astoria, N. Y.

The writer, Frank Lovece, responds: "It's unfortunate that Ms. Mandabach has resorted to name-calling in place of a reasoned defense. As she well knows, the graphic designers who usually provide paintings for TV shows are given credit, and when specific paintings are commissioned, specific credit is given. Without wracking my brain, I can give two examples: On Rod Serling's Night Gallery, and on the Taxi episode 'Nardo Loses Her Marbles' (for which the credits read: 'Paintings by Vivian Kerstein. Sculptures by Vasa.') —Ed.

CBS's Rosy Road

Since "The Road to 1990" comes jointly from David Poltrack and myself, I feel some response is in order ["Public Eye," June]. I would just ask whether, in your close examination of it, you asked to have the share and revenue projections checked. As far as we know, they have proved to be the most accurate of those done at the time.

David Fuchs
Senior VP, Corporate &
Broadcast Affairs
CBS Broadcast Group
New York, N. Y.

You have done it again! A terrific commentary on CBS in your June issue. The best perspective yet on how the establishment views the "new order."

Wesley Dubin
Senior VP, DDB Needham Worldwide
Chicago, Ill.

Spot Changes?

The article "In Search of a Killer Spot" [June] was interesting and enlightening. A precis of this article has been distributed to my boss, my GM and our news director. I don't suppose that any short-term alterations in our strategy will evolve, but who knows?

I hear a lot of experts talk about pro-

motion, but it is rare that I get a reasoned overview of the broader promotional landscape. Thank you.

Bob Lawrence
Promotions Director, WKPT-TV
Kingsport, Tenn.

Light On The Dark Side

I thoroughly enjoyed your article on the Business Affairs people ["Power in the Shadows," June]. You presented our end of the business in a very fair and interesting story and I was happy to be a part of it.

Art Stolnitz
Senior VP, Business Affairs
Warner Brothers Television
Burbank, Calif.

1988 Achievers

We're delighted to have been included again this year in *Channels'* Financial Achievers Review [June]. This special feature of *Channels* is becoming increasingly important in both the broadcast and investment communities, and we take some pride in having achieved the level of success that warrants the company's inclusion. I also want to take a moment to congratulate you on the magazine. It is an excellent "read" and is covering the industry in a depth and from an angle that nobody else in the business is accomplishing.

Walter Borton
Vice President, Park Communications
Ithaca, N. Y.

Employees at Burnham Broadcasting were pleased to find that Burnham was one of the "Achievers" in *Channels*. However, we were disappointed that the selection of the criteria and the definitions caused a material misstatement of the results of Burnham and, I suspect, other companies.

Most importantly, I believe that you are correct in focusing on cash-flow growth as opposed to net-income growth in ranking the fastest-growing companies. However, I feel you have defined cash flow incorrectly. In your

section, "About Cash Flow," you state that "cash flow indicates how much money is available to retain or cover debt." That being the case, you should add back interest expense to cash flow. Using this definition, Burnham's cash flow would have climbed from \$8.9 million to \$12.3 million, a 39 percent increase. Using your definition, Burnham's cash flow climbed from \$1.4 million to \$1.7 million, a 17 percent increase. On your summary, Burnham cash flow growth was -40 percent and 1987 cash flow was \$0.8. We have been unable to back into these numbers using a variety of definitions.

Your equity numbers for Burnham are calculated correctly, though the measurement criteria is faulty. The numerator you use to calculate return on equity is net income. Because Burnham is active in asset acquisitions, Burnham has disproportionately high charges to net income from depreciation and amortization. Therefore our net income is not a good performance measure. You recognize this weakness of using net income for Burnham and for many companies in our divestiture-and-acquisitions-minded industry, and used cash flow for purposes of calculating the "Top 100." Burnham's return based on cash flow would have been 20 percent for 1987 versus -239 percent from your table.

I sympathize with your task of compiling over 100 annual reports and gleaned financial information from each of them to enable calculation of ratios and growth rates. I recognize that you can't select the criteria that makes Burnham look the best, but I believe that in future "Achievers" issues you should consider using criteria that more appropriately measure the performance of companies within our industry. Thank you for your publication; I look forward to receiving it.

Tyler W. Sheffield
Chief Financial Officer
Burnham Broadcasting Co.
Chicago, Ill.

Financial experts engage in a valuable debate over cash flow and Mr. Sheffield raises key points in discussing our definition. But our definition of cash flow, adding net income to depreciation and amortization, yields 1987 cash flow for Burnham of -\$0.8 million and 1986 cash flow of -\$0.3 million. Channels regrets the error. —Ed.

Channels welcomes readers' comments. Send 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.

LETTERS

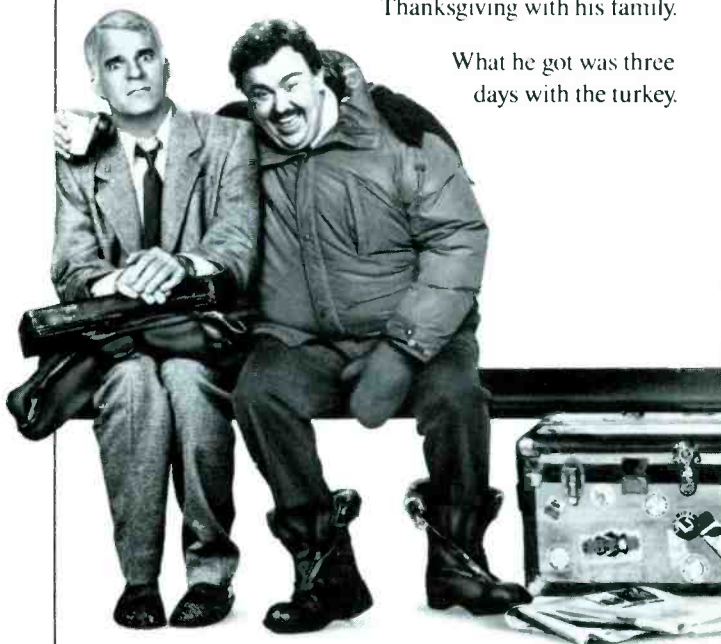
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STEVE MARTIN JOHN CANDY

PLANES, TRAINS AND AUTOMOBILES

What he really wanted was to spend
Thanksgiving with his family.

What he got was three
days with the turkey.



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TESTING TOMORROW'S PROGRAMS TODAY

Business-News Doctor Earl Brian Diagnoses His Battle With CNBC

FNN head holds course as network's cable service intrudes.

Facing a corporate behemoth's plans to breathe hotly down his neck, Dr. Earl Brian is a confident man. The competition that is coming to fight Brian's seven-year-old Financial News Network is Consumer News and Business Channel, NBC's 24-hour business-news and sports cable service, due to launch in early 1989. Staring down a monster like NBC and its deep-pocketed parent, General Electric, "quickens your pulse," Brian admits. Emergency measures did not, however, go into effect at FNN in late July after NBC announced its launch plans for CNBC.

"The truth is," says the M.D.-turned-venture capitalist, who has been stumping his network's merits to Wall Street analysts and the press, "there's nothing to do particularly that we haven't been doing."

What he's been doing is making large capital investments in the improvement of Financial News Network's production facilities on the East and West coasts, with an eye toward upping the quality of FNN's programming. The service produces 80 percent of its own programming. But the move that appears destined to make tidal waves in the cable business is Brian's plan to integrate the resources of United Press International, of which Brian's Infotechnology Inc. (the parent of FNN) gained control early this year.

Brian plans to realize the potential synergy between cable's leading purveyor of business news and one of the world's largest news-gathering organizations. He will not, however, rush things. Brian is handling the integration of UPI in the steady, unassuming manner of his native North Carolina. Or perhaps with the laid-back aplomb of California, which he served as Secretary of Health and Welfare in the early '70s under Gov. Ronald Reagan.

Brian confidently maintains that the threat CNBC poses isn't great enough to cause him to accelerate his 18-month

plan to turn around the ailing UPI. He can beat NBC without it, he says.

NBC president Robert C. Wright told reporters at a July press conference that the "star attraction" of CNBC would be "its unique consumer focus." Brian acknowledges FNN's need to produce business programming that appeals to consumers "on a broader base



Brian touts FNN's stability to Wall Street.

than just market coverage. I think the opportunity to develop broader-based consumer-finance programming and business programming is pretty good, and we are doing that."

Beyond the look, quality or substance of FNN's programming, however, is the issue of cost. And it's there that NBC will lose, Brian predicts.

"I think everybody has got to have high regard for NBC," Brian says. "To the extent an organization like that can develop quality programming exclusive to cable without alienating its own affiliate base, it's got to be good for cable. So I guess the sense is that cable can use NBC or CBS or ABC or anybody with the skills. The question, of course, is,

can they afford it? And my own sense of the matter is that they can't, in terms of the audience base as it relates to the market area in which we operate. Maybe in sports—but I doubt seriously that it could happen in business and financial [coverage]."

Brian learned his lessons about cost in the days before FNN's start-up. "I remember very specifically talking to friends at ABC," Brian recalls. "I asked what it would cost us when we were getting ready to finance this business. I said, 'What would it cost to produce an hour of news programming?' They said, 'Well, if you do a really good job, you can do it for \$35,000.' Our costs are well below \$2,000. Not that we wouldn't like to spend that kind of money to produce programming... but the cable audience won't support it yet."

And why, Brian asks, would cable operators dump FNN, which costs them 3.5 cents per subscriber, when CNBC will charge 7 cents per sub? True, FNN has a three-year schedule of rate increases that, when finished, will put the service's per-subscriber rate at 7.5 cents. But Brian says he isn't worried that price parity will send cable operators into the hands of CNBC three years from now. "I don't believe they'll be in business then," Brian predicts.

Should his prediction prove wrong, FNN will by then be well into an integration of UPI's resources. High on Brian's agenda for UPI is the unbundling of the organization's 18 services, which are now sold as a package. Unbundling excites Brian.

"Christ!" he exclaims. "You could have a cable service doing every one of them! You could have one on general news. You could have one on science and features. They've got a staff of science and feature writers there that could produce TV all day long if they wanted to. I am not sure that the market exists at the end of the cable channel for that," Brian admits, "but we've got the source now. So the question is how best to do something with that source. I don't believe going in to try to compete with CNN Headline would be a wise use of resources. I think we can pick some areas that nobody has done anything in. But where I really want to do well is in business information, business and finance—because that's where we live, that's what we understand."

CHUCK REECE

Last week, this woman sold millions of dollars worth of merchandise.

This week, she wants to work for you.

Carmela Richards
CVN Host



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ALL ACROSS AMERICA
SMART SHOPPERS COME
HOME TO...

Rupert, Ted Go Head to Head in U.K.

Murdoch's all-news channel takes on CNN in Europe.

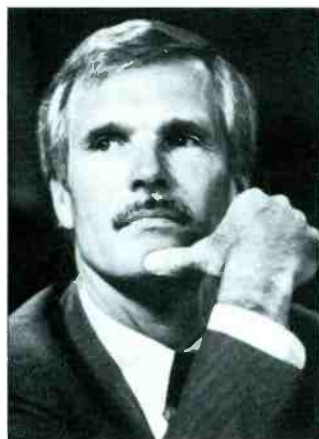
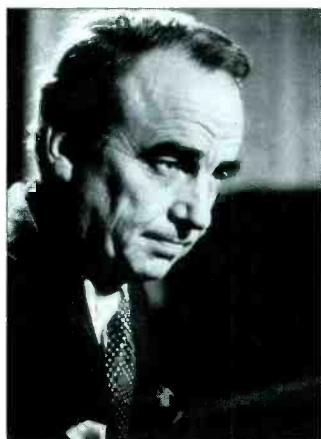
Is there any end to how much money Rupert Murdoch is willing to lose? After dropping more than \$50 million last year on the Fox network, more than \$68 million over six years on the pan-European Sky Channel and \$150 million during the 12 years he owned the *New York Post*, the Aussie-cum-American billionaire is ready to lose again.

This year's cash-burner is a 24-hour English-language news channel, to be a part of Murdoch's new ad-supported DBS project, Sky Television. Just leasing four transponders on the Luxembourg-financed Astra satellite, set to launch in late '88, will cost him some \$13.5 million a year. The transponders will beam down to Europe and the U.K. the family-oriented Sky Channel, Sky Sports, Sky Movies and Sky News. Estimated annual programming costs for all four: More than \$170 million, with some \$51 million going to Sky News.

Just how serious is Murdoch's bid to launch a 24-hour news service? A 60,000-square-foot site in West London is being renovated to house studios and offices, and John O'Loan, news chief for Sky News, confirmed last month at press time that the network was negotiating with Visnews (an international news agency owned by Reuters, the BBC and NBC) as well as with Britain's World Television News and Independent Television News (ITN) to produce 24-hour news for the network. Sky News has even announced a launch date of late January, 1989.

All of this came as a surprise to Ted Turner's Cable News Network, which sells an international feed to cable systems, hotels and broadcasters in 61 countries. It also has been talking with ITN over a joint venture that would spin off a European edition of CNN.

If that happens, Sky and CNN would go head to head all over Europe. But for now, CNN isn't particularly worried.



Ted Turner brought all-news to Europe first, but Rupert Murdoch's Sky News is coming on strong.

Says Robert Ross, CNN's v.p. of international sales, "[Murdoch] has indicated a focus on the U.K. If that's true, we may have some problem selling to U.K. hotels, but probably not."

Ross acknowledges that a Sky News alliance with, say, Visnews, solves many of its start-up difficulties, such as obtaining international footage and establishing bureaus. He also notes that it is "not inconceivable" that Sky's free commercial feed will enhance its ability to compete. But, says Ross, "We have eight years experience at this. We have

news sources, and believe me, CNN looks better today than on day one. They're starting from scratch."

Another factor that might help Sky News keep up in a struggle with CNN would be the existing news organization of Murdoch's News International. Though no plans exist to tap into the Fox network or print operations, the existing Sky Channel has created headline news spots with material from Murdoch's *London Times*. And, of course, Murdoch is willing to lose a ton of money.

KEVIN PEARCE

Special Violence-Wear Issued For News Teams on the Gang Beat

Smartly dressed TV reporters sport full metal jackets.

Reporting on the mean streets of South Central Los Angeles is a gruesome and dangerous enterprise. Epidemic gang violence has even prompted one TV news department, Cable News Network's L.A. bureau, to take a precaution more associated with covering a battle zone in the Middle East: equipping personnel on the story with bulletproof vests.

"We knew gang violence was the biggest story our bureau had to cover," explains CNN's L.A. bureau chief, Steve Shusman. "And to really cover the story thoroughly we needed to be on the streets at all hours of the day and night. We figured having the vests would help the peace of mind of our personnel. We do it for our people in Beirut. If you put reporters' safety in jeopardy, you take every precaution to protect them."

CNN doesn't make any secret about using the vests, which go for \$350 a

throw. Still, reporters don't use them to grandstand on camera—the vests fit discreetly underneath normal attire. Shusman warns his staffers not to be too cocky because of their bullet-resistant duds. "We didn't buy them so our people could be cowboys," he says.

Bulletproof vests have yet to become standard issue at other L.A. news department on the gang beat. "We still have flack jackets around here somewhere from when we sent crews down to Central America, but so far we haven't used them here," says KCBS news director Eric Sorenson, adding that his vests would come out of storage if his crews asked for them.

Sorenson knows covering gang violence calls for special precautions. "We have a rule: no camera lights unless the police are there," he says. "You put on those bright lights at night and you're a sitting duck."

J. MAX ROBINS

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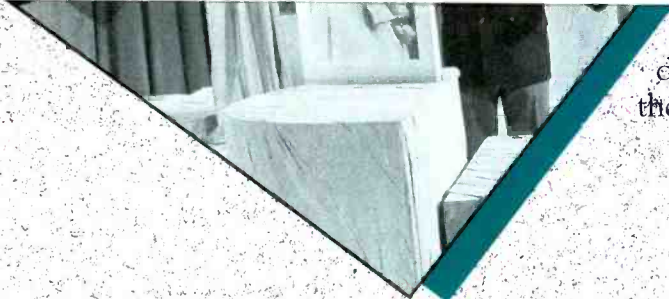
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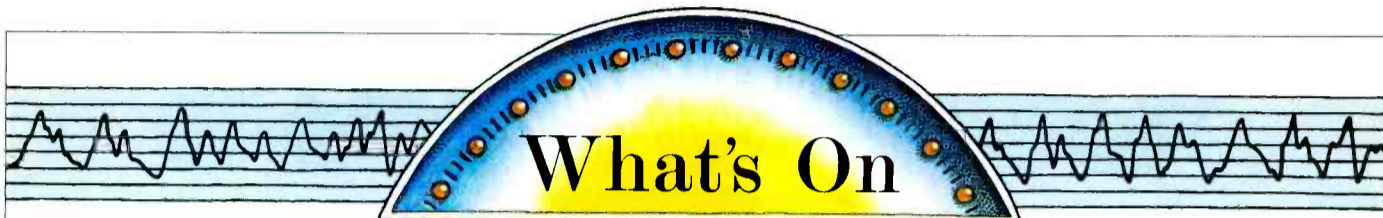
It's only taken a hundred years to join the Berne Convention.

It has taken over a century of schol-

plummeted—despite its distinction as

intellectual-property industries collapse," a Guild spokesman retorted. What might have been an abstract debate became quite timely and vivid when the moral-rights controversy of film colorization crashed down on Congress at the same time.

In the end, however, proprietor interests prevailed and no moral-rights provisions were added to U.S. copyright law. Copyright experts and legislators



S • E • P • T • E • M • B • E • R

Counter Striking

by Kevin Pearce

SEPTEMBER 1-30: Try to remember the kind of September... For many in the electronic media, this month didn't turn out quite as well as hoped. Last February, **NBC** was licking its chops over the promotional value of its upcoming sports extravaganzas, and **CBS** was considering an early start to the fall season. We all know what happened. But would the early jump have worked? **Julius Barnathan**, now **ABC's** president of broadcast operations and engineering, remembers when, in 1964, his network moved the new season up to September 1 and devastated the competition: "It was very, very effective. It gave us the jump and ended a two-year ratings debacle." But Barnathan, who was **ABC** Network general manager at the time, warns against assuming that the "sampling" technique would automatically work. "Look at **Dolly Parton**, who ended up with a 19 rating," he says. "You can send the sampler home to taste it, but if it's not any good, they won't eat."

SEPTEMBER 10: **The Museum of the Moving Image** opens to the public. Located in the historic Kaufman/Astoria studios in Queens, New York, the museum features film and video screenings in addition to exhibits. Some of the remarkable things to be seen: a monumental installation by artists **Red Grooms** and **Lysiane Luong**, entitled "Tut's Fever," that is a functioning theater; William Holden collectable bobby pins; and a surprisingly small RCA TV circa 1959.

SEPTEMBER 12-16: The **International Institute of Communications** holds its 1988 conference in Washington, D.C. Speakers will include **FCC** chairman **Dennis Patrick** and his senior staff, **Gostelradio's** **Aleksander Aksenov**, **News Corp.'s** **Rupert Murdoch**, **Paul Fox** of the **BBC**, and **CBS Broadcast Group** chairman **Gene Jankowski**.

SEPTEMBER 13: **World Monitor**, the **Christian Science Monitor's** half-hour news program, debuts on **The Discovery Channel**. The program will be hosted by

former **NBC** correspondent **John Hart**, who recently outlined some of **Monitor's** goals: "We [will] begin with resident reporters. Replacing airport journalists with the experience of people who know the language, know the culture, know the history, know the powerful and the powerless of their territory. We [will] ask them to cover a few stories well. We have long since given up the pretence of covering all the news every day anyway."

SEPTEMBER 17-OCTOBER 2: The '88 **Summer Olympics**, arguably television's most expensive event ever, takes place, with over \$400 million paid in rights fees, \$550 million worth of U.S. ads sold and an estimated \$3 billion invested by the Korean government. While **NBC's** coverage of the Games (and the **World Series**) will be the uncontested ratings winner of the strike-battered fall season, the potential loss of its promotional value put programming boss **Brandon Tartikoff** and his team in a "scrambling offense" last July. The network is guaranteeing a prime time rating of 21.2, a figure one **NBC** representative now calls "conservative."

OCTOBER 3: Of course, the **Writers Guild of America** dispute is not a disaster for everyone. On this day, **Turner Broadcasting's** much-awaited **Turner Network Television** premieres with an airing of *Gone With the Wind*. Expected to reach about 10 million households at launch, the network's ad time will be sold together with superstation **TBS**. Does **Turner** expect to get a ratings boost for his new baby due to lack of network competition? "That's not the way we want to win this thing," he says. "Not with some Statue of Liberty play. We want them to shoot themselves in the foot. We want them to suffer for a long time." **Ted** himself is antsy to get past new-production delays: "My whole life I've been running reruns. There's nothing wrong with that. I mean *life's* a rerun when you've been married 20 years. But it's also good to do something new." **Turner** is also in the middle of a divorce.

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

CALENDAR

Sept. 12-16: International Institute of Communications 1988 conference. Washington, D.C. Contact: John Howkins in London (01) 388-0671.

Sept. 18-20: Pacific Northwest Cable Communications Association 33rd annual convention. Cavanaugh's Inn at the Park, Spokane, Wash. Contact: Dawn Hill, (509) 765-6151.

Sept. 21-22, 27-29: Cable Course 1988, industry analysis by the Rocky Mountain chapter of Women In Cable. Telecommunications Inc., Denver. Contact: Sharon Sidello, (303) 799-5559.

Sept. 22-25: Society of Broadcast Engineers 3rd annual national convention. Convention Center, Denver. Contact: John Battison, (604) 888-3364.

Sept. 23-27: International Broadcasting Convention. Metropole Conference and Exhibition Center, Grand Hotel,

Brighton, England. Contact: (01) 240-1871.


Sept. 26-30: Video Expo New York, exposition and seminar program for video professionals. Jacob Javits Center, New York. Contact: Ellen Greenfield, (914) 328-9157.


Oct. 4-6: Atlantic Cable Show. Atlantic City Convention Center, Atlantic City. Contact: Jan Sharkey, (609) 848-1000.

Oct. 13-16: National Broadcast Association for Community Affairs annual convention. Copley Plaza Hotel, Boston. Contact: Valerie Navy, (617) 449-0400.


Oct. 14-16: MIPCOM, international film and program market for TV, video, cable and satellite. Palais des Festivals, Cannes, France. Contact: Perard Associates, (212) 967-7600.

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Playing a New Game

by Chuck Reece

Reaching for young viewers with *TV 101*, CBS is selling environment, not numbers.

It's a reminder that advertising-agency media mavens are careful to leave with every questioner. In the words of Lou Bullock, v.p. and director of media information for BBDO Worldwide, the caveat is this: "We do not judge shows based on how good we think they are."

That sounds like the same old song to Jerry Dominus, CBS's v.p./network sales, who is selling the network's new shows to the ad industry. "It is *regrettably* true that they don't judge programs on their worth," Dominus says. He adds, a little exasperated, "That's why they miss all the hits."

One of the new season's hits could be CBS's one-hour drama *TV 101*, a worthy attempt to snag the youth audience that has so ardently avoided the network throughout its recent history. The show, delayed by the writers' strike, is an adroitly written look at a motley cross-section of high-school students who turn the school newspaper into a public-access cable show. Nearly every media buyer in agencydom will admit to liking *101*. "We thought the pilot was excellent, even shed a tear or two toward the end," admits Tom Winner, executive v.p. and media director of Campbell-Mithun-Esty. But many other media heads—as the upfront market stood ready to pop in July—were wary of betting clients' budgets on the show.

It's Dominus' job to change the network-TV specialists' minds, to sell his way around their prejudices. And his ideas for *TV 101* have little to do with the mass-market, buckets-of-eyeballs approach to television sales.

The buyers' major gripes are these: *TV 101* is scheduled on Tuesday nights at 8 P.M., opposite ABC's *Who's the Boss?*, which delivers scads of young viewers. And with CBS's limited young audience, adequate sampling of *TV 101* may not be easily gotten.

Dominus worries less about eyeballs than environment. Environment—a specific context for commercials aimed at particular audiences—is the thing TV sales people will sell as network audi-

ences continue to fragment. "Tonnage advertisers," he admits, are likely to go for the eyeballs by the pound that *Who's the Boss?* offers. But, Dominus adds, "If you're talking about environment, the impact of the right commercial in the right location means a great deal more than just eyeballs." Advertisers on *TV 101*, he says, will be "getting more for their buck than raw circulation."

What do they get? An involved viewer, Dominus says, not just a TV watcher. An involving show, to media mavens, is one that can so engross its viewers they will be more likely to pay attention to commercials, less likely to zap. *TV 101*, with its hard looks at drug-related deaths and other perils of teen life, seems a fair candidate to engross a teen-age audience.

"*Who's the Boss?* might get bigger ratings, but I bet you the advertiser would say, 'Who's the most involved viewer?'" Dominus posits. *TV 101*'s audience, he says, is "upscale young people... high school, college, young adults. And that's of very high interest to marketers. *Who's the Boss?* has lots of kids—little kids. *101* is on the money

with a level of intelligence and sophistication that... will attract a very, very attractive audience, not a bunch of low-class little kids."

That CBS might not be able to get those attractive kids watching is bothersome to ad agencies. Joel Segal, executive v.p./national broadcast at McCann-Erickson, calls *TV 101* "an extraordinary promotion problem." Says Segal: "I might be interested in *TV 101*, but CBS does not have the general audience of young viewers. It desperately needs the proper promotion, but you can't promote it on the network because the network doesn't get the audience the show needs." Mike Daly, director of media services at Levine, Huntley, Schmidt and Beaver, says *TV 101* needs promos that are "outside the traditional."

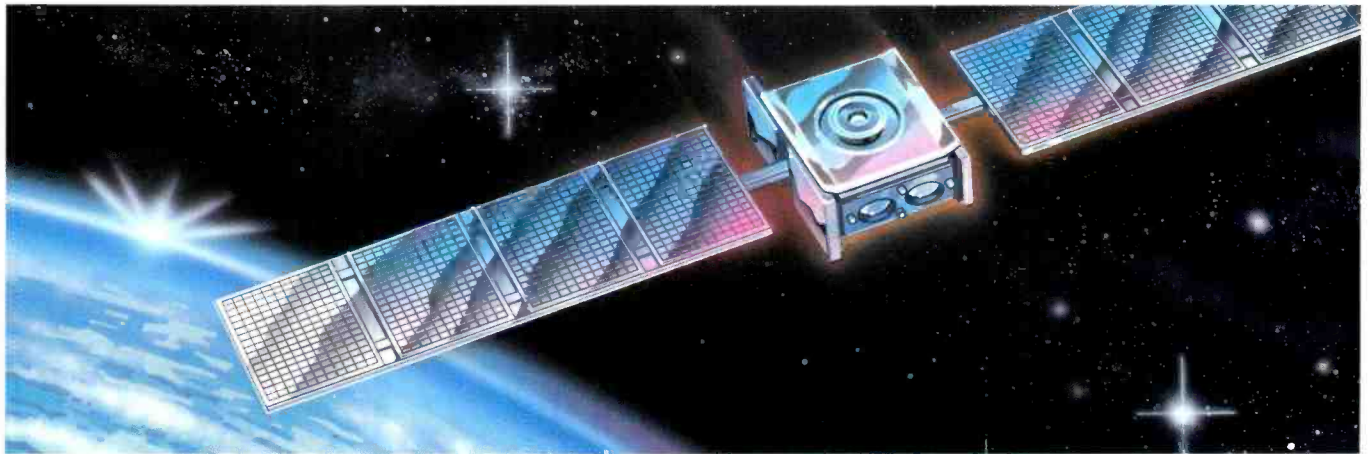
That's where CBS is headed, Dominus says. Promotional ties under study would couple a *TV 101* sponsor's in-store and in-school promotions with plugs for the show. The network and the advertiser would get favorable rubs from each other if the show works.

Dominus had won over several buyers before the upfront, but tonnage buyers were laying off. Cliff Botway, chairman of buying service The Botway Group, said: "If *TV 101* performs well, it will steal two or three share points and get about an 18 [share], but in either case, it will fail." Dominus has other ideas: "We know what the odds are, and our job is to beat those odds. Here's the tragedy: They'd say the same thing if we had put a rotten program in that time period. Most of the time, this industry won't stick its neck out. And most of the time the numbers justify that position. But every once in a while..." ●



TV 101 stars Andy White, Sam Robards: targeting U.S. youth.

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We believe our clients put us first because we put them first.

 **KIDDER, PEABODY**

Now *Cosby*'s Campaign by Kathy Haley

With huge stakes, stations and Viacom are launching a flashy effort to sell the show.

Philadelphia has had the name of their city "changed"—to Philadelphia. In Green Bay, Wis., a tight close-up of Bill Cosby's face smiles up from the place mats of hundreds of thousands of McDonald's patrons. In Kansas City, Mo., a direct-mail campaign later this fall will deliver glossy posters of the Cos to just about everyone with an address.

Syndicated reruns of *The Cosby Show* won't begin airing locally until early next month, but the promotion campaign behind it has been in gear since mid-summer. On WWOR New York, teaser campaigns began four months in advance, and on WKRN Nashville, *Cosby* plugs aired during ABC's Winter Olympics coverage.

In a world where local promotion of syndicated programming nearly always rides the back of the bus being driven by local news, the *Cosby* campaign is an anomaly. Of course, the 172 stations that have invested a half billion dollars to air *Cosby* for over three years are protecting an unprecedented investment with an equally unprecedented promotion campaign. And Viacom, which syndicates *Cosby* and could be looking to renew contracts as early as next year, has reason to ensure that stations will be happy with their costly franchise.

But more is at work here. Even long-time promotion managers, like John T Calver at KMBC Kansas City, Mo., and David Salinger, director of marketing at WPRI Providence, R.I., show surprise in describing the lengths to which Viacom has gone to help stations mount huge, multimedia campaigns.

For now, Viacom's plans appear to have paid off. WCAU Philadelphia's *Cosby* campaign will be "the largest we've ever launched for a syndicated show," says general manager Steve Cohen. It will target "five times the gross ratings points we'd ordinarily go after and will be our first real effort at using all media, from buses and bus shelters

Kathy Haley is a New York free-lance writer.

THE SELLING OF . . .

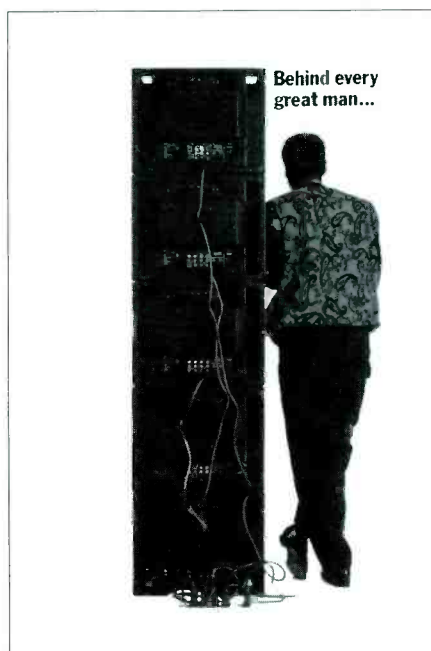


to TV, print, billboards and radio." At WKRN, marketing director Jan Wade estimates that the *Cosby* campaign will cost more than twice the highest amount the station has ever spent promoting a new syndicated show.

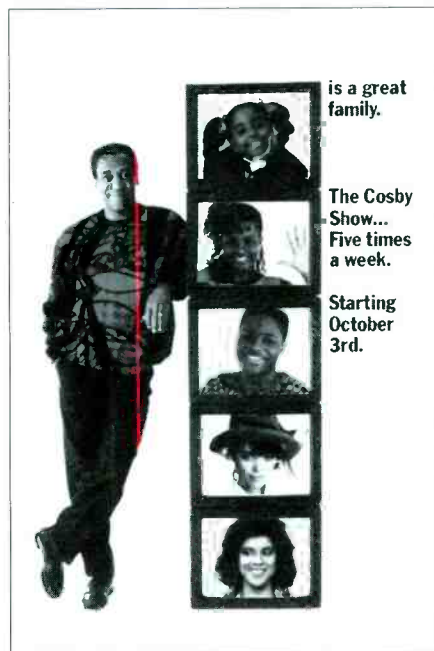
Much of the promotional firepower behind *The Cosby Show* will go into national and local pre-launch campaigns aimed at making as many Americans as possible aware that their favorite prime time sitcom will soon air five times a week. In addition to a three-week na-

tional campaign Viacom has bought in *TV Guide*, the company has provided stations with fully produced print and radio campaigns as well as the separate elements of those campaigns, so stations can customize their own ads. Also included are materials for outdoor promotion and bulk-rate pricing for giveaways, a package Calver calls "one of the most thorough, well thought out campaigns ever." (Viacom discovered station needs through a survey, which drew a 96 percent response.) Even more importantly, it backed materials with what just about every promotion manager reached for this story calls the largest and most flexible co-op plan they've ever seen.

Unlike most syndicator co-op plans, the *Cosby* plan will selectively reimburse stations for ads obtained through trade-outs. Equally important is the way Viacom will qualify a co-op expenditure. Calver explains: "If I'm promoting *thirtysomething* and my news, ABC will reimburse me for half of *thirtysomething's* half of the ad. Viacom will



This fall, the grin that peddles vegetables, pudding and soda will be appearing everywhere more than ever.



flip for half of the whole ad as long as I give reasonable space to the *Cosby* part."

The ease with which stations can pair promos for *Cosby* with those for other shows is another key for promotion directors. Creative for both print and on-air includes Bill Cosby pictured with five TV sets. Pre-produced ads feature a different Huxtable family member on each screen. Stations have also received ads with blank screens, and music beds recorded separately from voice tracks—so they can plug *Cosby* with its lead-in or lead-out or any other shows.

And by putting *Cosby* outside the TV sets and at the center of each announcement, Viacom and its ad agency, Gips + Balkind + Associated/The GBA Group, achieved another coup: The grin that sold tons of Jello pudding and Del Monte beans can become the face of stations airing the syndicated *Cosby Show*.

Cosby, who is the American viewer's favorite TV personality, according to Long Island research company Marketing Evaluations, has even gone so far as to produce custom tags for many stations. That, says Dennis Fitch, whose firm, The Agency, runs the co-op program, didn't come cheaply to Viacom. Nor did the tags produced by each of the other major cast members, or the four hour-long packages of the show's best scenes, provided by the syndicator for stations to use in image campaigns or other advertising.

Other enticements, meant to appeal directly to station managers, include a co-op reimbursement application infinitely simpler (Fitch promises) than the norm and payment closer to 30 days, rather than the usual 90. The number of stations including billboards in their *Cosby* campaigns probably has a lot to do with the fact that Viacom, in another unusual step, has offered to support production of the ads with bulk buys of materials and co-op contributions.

While most stations haven't finalized plans for promoting *Cosby*, station executives say their efforts will outstrip, significantly, any previous campaign they've mounted for a syndicated show. Among the more ambitious is WCAU's Billadelphia, which capitalizes on Philadelphia's status as *Cosby*'s birthplace. WCAU has blanketed its ADI with the news that, in honor of a favorite son—and the arrival of his TV show at 5 P.M. on channel 10—the name of the city has been changed.

An on-air teaser campaign shows familiar landmarks, such as the city's airport, having their names changed. A separate pitch celebrates Billadelphia's first family, the Huxtables. Plans are in

A New Way to Coordinate Co-op

Among the more unusual tactics Viacom has used in helping *Cosby* stations is its retention of an outside firm, Los Angeles-based The Agency, to consult local promotion managers on campaign plans and to administer the *Cosby* co-op program. According to co-founder Dennis Fitch, promotion managers can call him or partners Rik Sandoval or Barry Weintraub and ask for virtually any kind of help with their *Cosby* campaigns—from feedback on a major on-air strategy to pointers on how to sell a general manager on a budget. For the run of the *Cosby* campaign, The Agency's services to syndicators are exclusive to Viacom. The nine-month-old company couldn't have landed a more visible account.

The Agency, created to help syndicators get better results from local promotion campaigns, starts by

making promotion managers aware of the co-op opportunities available to promote a particular program. "We don't just offer a co-op plan, we sell it," says Weintraub.

Working with a co-op program puts The Agency in a position to carry out its other goal: coaxing stations to mount the most effective on-air campaign possible. "Smaller syndicators can't afford to do this themselves, and since the market has slowed even larger ones have found it tough," Fitch explains.

Fitch previously coordinated local promotion campaigns for ABC-TV and Fox Broadcasting Co. Sandoval, as head of his own company, created campaigns for syndicators including King World, Orion and MCA. Weintraub worked for 20 years at ad agencies, including McCaffrey, McCall, Benton & Bowles and Dancer Fitzgerald Sample. *K.H.*

the works for a first-ever documentary on *Cosby*'s life.

At Kansas City's KMBC, Viacom's outdoor campaign—featuring a close-up of *Cosby* smiling toward call letters, channel number and the time *Cosby* airs—dovetailed with an already popular news campaign. In it, Len Dawson, KMBC sportscaster and former NFL quarterback, illustrates with a chalkboard the "play" viewers must follow, past refrigerator to armchair, to switch to KMBC's 10 P.M. news. The spot ends with Dawson pointing at the audience and saying, "Practice tonight."

Promotion manager Calver built an outdoor campaign around the Dawson/*Cosby* gestures. It will begin this fall with Viacom's *Cosby* ad and switch to Oprah Winfrey, whose show anchors KMBC's early fringe, pointing toward the same call letters, etc. In January and February, each of the station's three major news anchors will appear, pointing toward similar messages. Dawson will wrap up the campaign.

Calver plans to carry the look through in print ads and on-air IDs. To back it up during the November sweeps, Calver will use direct mail to distribute posters of *Cosby* with the message that the show now follows KMBC's 10 P.M. news five nights a week. The poster's flip side will probably picture Oprah Winfrey, noting her show's run in the afternoon. Calver, who likes direct-mail's ability to reach busy, 18-49 year-old viewers who can't always be found with *TV Guide* or

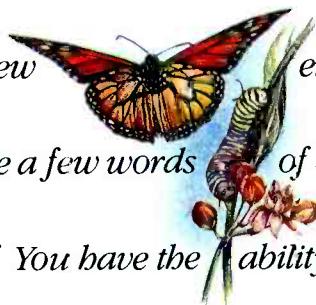
Sunday supplements, typically targets about 235,000 households with each campaign. But the *Cosby* poster will go to each of the area's 535,000 homes.

Providence's WPRI will also feature *Cosby* in its image campaign, using as its primary tool the life-size cardboard cutout of Bill *Cosby* supplied by Viacom for local fall advertiser parties. Tapping an already familiar, humorous "man-on-the-street" format, WPRI will produce new spots featuring a person on the street with one arm wrapped around the cutout, explaining, "This is my friend, Bill *Cosby*. His show now appears. . . ." WPRI has tested the concept with a Dolly Parton cutout sent by ABC, and the spots are so popular that WKRN, another Knight-Ridder station, has considered adopting the tactic.

What appears to be going on in the *Cosby* campaign is a degree of partnership rarely achieved between stations and a syndicator in marketing a program. That leaves the question: Is it a once-in-a-lifetime union or will the campaign set a precedent for syndication's most important shows?

Moreover, how will Viacom and its 172 client stations gauge the success of their multimillion dollar effort? "Later this fall," comments Dennis Gillespie, Viacom's senior vice president/marketing, "compare where the *Cosby* stations were and where they are now in the ratings, and you'll have your answer." ●

ALL TOO often people in high places forget where they came from. And while they make every effort to treat their peers and superiors with friendliness and respect, they don't always afford others the same common courtesy. Next time you have an opportunity, why not ask a new employee what his or her aspirations are for the future. Or give a few words of encouragement to your secretary or someone on your staff. You have the ability to make people happy with just a few thoughtful words. Why not start using them.



Bill Daniels



The New European Mandate

Americans watching the developments overseas seem mildly amused by the awkwardness of European broadcasters in dealing for the first time with real competition. What has always been a way of life in U.S. television—the scramble for hits, rating points and ad revenues—is something Western European practitioners are just getting into, and proving to be no more adept at than beginners at fishing. Many are hampered besides by an attachment to the past and its traditions.

Before satellites and the mania to privatize the airwaves began producing scores of new commercial channels, most European countries had only state-run networks, two or three, most of which had public-service mandates and strict limits on advertising time. There was no jockeying over price; ad rates were fixed arbitrarily; and with access so scarce buyers paid the tariff gratefully. What passed for competition in those days was a genteel contest for audience among the sibling networks,

U.S. broadcasters shouldn't be too amused by the greenness of Europeans with the fundamentals of the game. Anyone can master them.

with practically nothing at stake.

Commercial competition is so new to Europe that its operatives are just discovering the importance of scheduling. The hot new trend in programming today is stripping, an age-old practice in America yet something quite novel over there. But U.S. broadcasters shouldn't be too amused by the greenness of Europeans with the fundamentals of the game. These are not techniques for rocket scientists; anyone can master them in time.

Moreover, if U.S. broadcasters could look at themselves from a distance they would see that they are just as maladroit in dealing with the new stage of competition they have entered and just as guilty as Europeans of clinging to ways of the past.

What we had called competition in our native industry was never the real thing; it amounted to a government-protected monopoly of the airwaves by three networks and their affiliates. The television battles were not for survival but rather for a larger share of the advertising dollars that kept pouring in.

American TV operators may be in for trouble because

they don't understand competition as well as they think they do.

Consider that the three big networks continue to compete with each other with the same kinds of programs for the same mass audience, as if nothing too threatening were happening around them. It's as if Chrysler, Ford and General Motors continued to go at each other, oblivious of Toyota, Nissan and Volvo on the scene.

The good news earlier this summer was that, in the face of the writers' strike, network upfront sales were surprisingly strong this year. But that was also the bad news, because it will be taken by many as proof that the old TV system is secure—secure in an environment where cable penetration now exceeds 50 percent, where VCRs approach 60 percent and where independents now outnumber any network's national affiliate lineup and are showing some muscle.

The part-time Fox Network, a patchwork of independents, has been banging out some serious numbers nationally with such programs as *America's Most Wanted*. And next comes Ted Turner's vaunted TNT cable network, launching right when the networks are most vulnerable, the period when their new season is deferred by the strike.

With the wide range of channels available and the proliferation of remote-control tuners, the business quietly passed from *table d'hôte* television—in which the networks presume to dictate the viewing menu—to a la carte television. Younger viewers don't have the same allegiances to the established channels that older folks do, and are as likely to punch up MTV, HBO or ESPN as their parents might ABC, CBS and NBC. To the young, television is 30 channels, not three, and A&E has as much cachet as CBS.

What saves the networks and their affiliates, at least for now, is that their rivals don't understand competition either. The cable networks think they're each other's competition. The public TV stations compete among themselves, and so do the Hispanic stations and indies.

A few years ago, the networks could have taken the Writers Guild strike without any fear of harm. The viewer had essentially three places to go, and if all three were in reruns he'd have to be content with that. Today there are many other options, and a viewer lost to the networks in the strike may or may not come back soon.

The strike may have the effect of awakening the American market this fall to the real competition that exists. And the Europeans, who have a lot to learn about commercial TV, may ironically play a role in that competition as suppliers to the new competing forces. ●

Metropolitan Broadcasting Corporation

has sold the assets of

WOMC-FM
Detroit, MI

to

Infinity Broadcasting Corporation

*The undersigned acted as financial advisor to
Metropolitan Broadcasting Corporation in this transaction.*

MORGAN STANLEY & CO.
Incorporated

June 7, 1988

Metropolitan Broadcasting Corporation

has sold the assets of

WWBA-FM
Tampa-St. Petersburg, FL

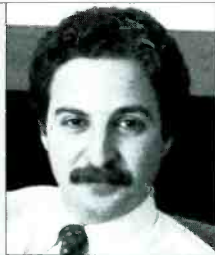
to

Cox Enterprises, Inc.

*The undersigned acted as financial advisor to
Metropolitan Broadcasting Corporation in this transaction.*

MORGAN STANLEY & CO.
Incorporated

August 8, 1988



Hollywood Wins Again

For all the gloomy talk about the fall schedule and the problems the writers' strike is causing for the television business, among the rarely discussed consequences of the current condition of the industry is the fact that the production community seems only to gain strength while others struggle.

Consider the evidence. Some of television's best minds are increasingly coming to the conclusion that the buyers of programming—the broadcasters and cable networks—have no short-term prospects for beating the high cost of production, at least those incurred by the major studios and the independents. Secondly, consider the fact that the clout and reach of the studios is only increasing.

Consider also the fact that virtually every non-major production company either faces or has already weathered restructuring due to financial hardship. And on the talent side, look at the studio rosters of young managers, able to earn salaries that network and station executives

While broadcasters are struggling, Hollywood is diversified, loaded with talent and blessed with regulatory carte blanche.

can only dream of, and the case for Hollywood's strengthened hand becomes convincing. Put it all together and the inescapable conclusion is that the unregulated, happily diversified majors are, despite the high cost of features and TV programs—and despite the critical deficit problem—poised for long-term clout and prosperity.

Consultant Paul Bortz, in a recent presentation prepared for client Capital Cities/ABC, emphasized that the key to retaining a semblance of the Big Three network franchise is not to cut corners on programming but to *spend more*. "Cheap programming is not the answer," Bortz maintains. First Boston securities analyst Richard MacDonald basically agrees, and chides CBS and others for appearing gun-shy about entertainment-program investments. "They'll try to be good financial managers and what they ought to be husbanding is the franchise, because that's at risk," he says. "With programming, you can't walk in there and look niggardly." MacDonald's advice for new CBS president Howard Stringer: "I think he should buy himself a small L.A. house and entertain every night. Small because he

doesn't want to show that he has too much money. I'm sure that CBS doesn't even know most of the names of the major players out there. They've got to get tight with Hollywood and convince them that CBS wants to air their most creative work. Do you have to spend more than you're spending now? I'm not sure. But you have to spend to get the very best on the air. You have to spend on action/adventure. You need to convince creative people that you're committed to this business."

Look no further than Warner Brothers, MCA, Disney and Fox to realize the diversified strength of the big players. All are in home video and some have stakes in theater chains. Warner has a huge cable cash cow feeding it the money to grow into, among other things, the acquisition of Lorimar Telepictures. And it is a major player in the record business, a field recently abandoned by CBS. MCA also owns a reinvigorated record company, recently acquired Motown Records, owns a powerful New York independent, WWOR, and is searching for more stations. MCA owns half of cable's USA Network, arguably, along with TBS or its heir apparent, Turner Network Television, the leading national "indies."

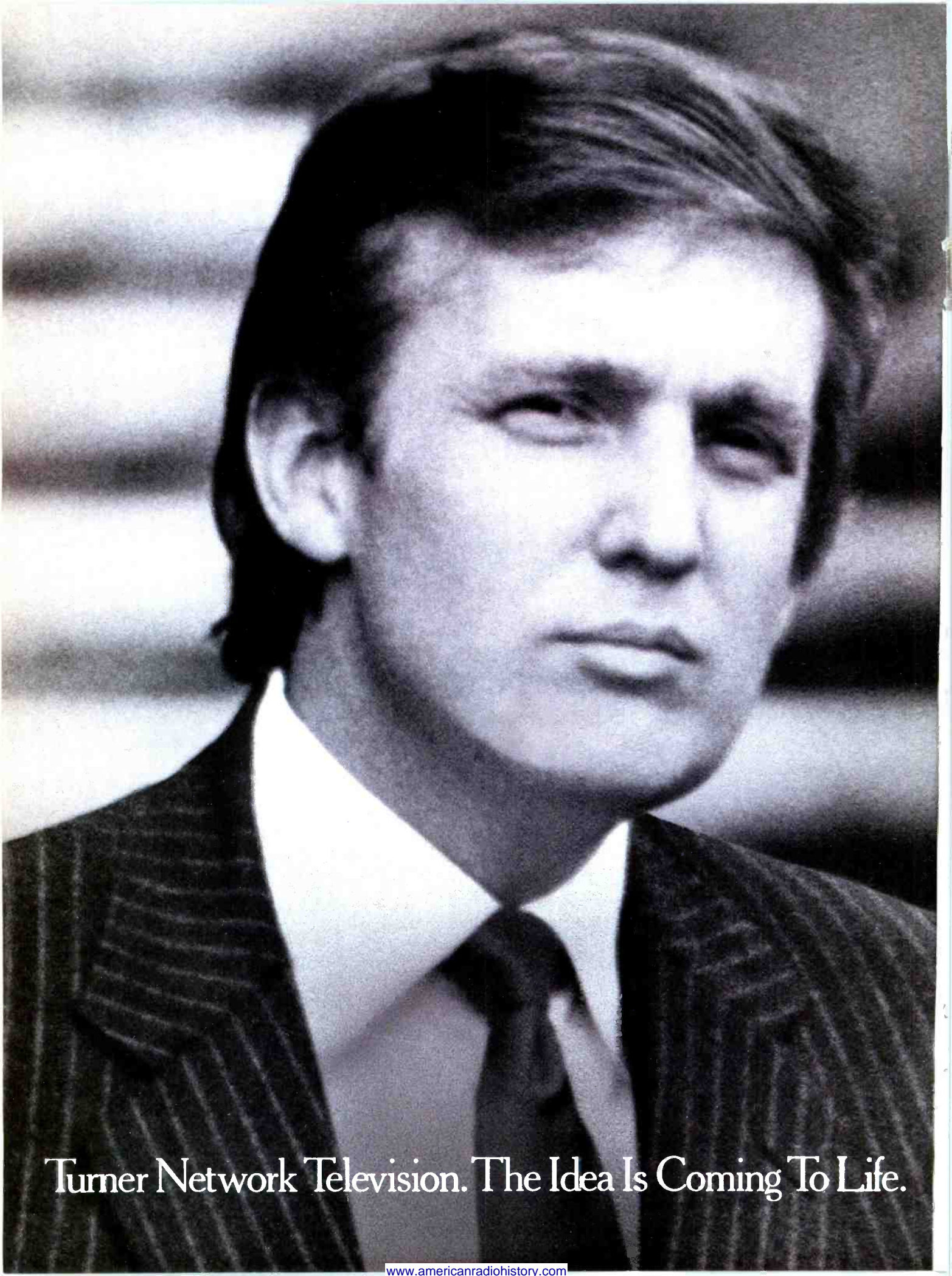
Disney seems to be improving its position in television programming, is a vital player in cable networking, has just acquired a strong Los Angeles indie, KHJ, and is forging alliances with companies like NBC. And it controls not only important distribution outlets (The Disney Channel) but also the front and back ends of its products. Fox, of course, merely owns a studio, a thriving collection of independents and a TV network that has avoided being labeled one by regulators.

Meanwhile, the ongoing restructuring of the large broadcasting players painfully continues. By contrast, Hollywood's may be much closer to completion. Foreign money, for example, is now behind MTM and Hal Roach while Lorimar, of course, has solved its financial problems. And the production business seems way ahead of broadcasting in conquering union problems.

None of this bodes well for broadcasters. Limited in recruiting the best talent, somewhat hampered by a history of labor-union relationships, they are, for the next several years at least, basically kept out of the programming business by government edict. At the same time, they're saddled with network-compensation policies even as their affiliates grow frisky.

Among the few matters on the table that could weaken Hollywood would be a relaxation of the financial-interest and syndication rules, and on that issue it is hard to see what incentives studios have in agreeing to either an end to or a relaxation of the limits on broadcasters. ●

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Here Come the News Punks



.....
Geraldo, Mort, *A Current Affair*
and company have hit big. Fast
and rude, this is 1990s TV.

.....
by J. Max Robins

Bill Boggs rubs Lancôme moisturizer into his face as he grasps for the right description, the precise phrase to describe *The Morton Downey, Jr. Show*. The assault talk show made it on the air initially because it was a cheap way to get a lot of attention quickly for MCA's New York station, WWOR. But now it looks as if the program could be a hit in syndication, and the middle-aged boy-next-door executive, who's hosted such mild Manhattan talk-show fare as *Midday*, has been hired as executive producer to help smooth the path for Downey's leap into the national arena. Boggs' face gets a little contorted and then shifts into self-satisfied-smile gear. In his cramped cubby-hole office, he puts down the moisturizer and traces a solar system in the air with his finger. "This show is 3-D television. It's rock and roll without the music. In the talk-show universe, if Ted Koppel is the sun, Phil the earth, Oprah and Geraldo somewhere around Mars, then we're out beyond Pluto," he says, getting more pumped up as the ideal buzzword comes into focus behind his baby blues. "Call us confrontainment."

Boggs admits to a certain visceral rush from what his boy Downey does. He suffered his fair share of fools as a talk-show host, and now he's promoting his evil twin, who can rant about things

Boggs could think but never utter. Boggs intimately understands Downey's appeal. Morton Downey Jr. is 3-D TV, his big chompers biting straight into America's living room.

Downey's show is, of course, only one of several programs that have seriously pumped up the volume in TV talk land. Geraldo Rivera, with a hit talk show and specials such as *Murder: Live From Death Row*, has swaggered his way into syndication's front ranks and has even placed a special on NBC. Fox's big score with *America's Most Wanted* no doubt figured in the peacock network's decision to elevate *Unsolved Mysteries*, its twist on the same theme, from periodic special to a slot in its fall prime time lineup. The success Rupert Murdoch's gang has had with *A Current Affair* in syndication prompted last summer's launch of a similarly formatted program—*The Reporters*—for the Fox network. Other hyperactive reality-based programs are making entrances this fall as well, including MGM's *Group I Medical*, Republic's *On Trial* and, from All American Television, *Liddy*, a Donahue-style talk show hosted by Watergate burglar G. Gordon Liddy. The light side of the genre will be represented by GTG's *USA Today: The Television Show*.

The media love a good tag, so all these programs, along with provocative talk-show stalwarts like those on the Donahue/Oprah axis, have been



Mort takes "confrontainment" national, hoping his wrestling-match-style talk show flies.

lumped together under the same moniker: tabloid TV. The genre has been vilified as tawdry titillation and, at its most extreme, a demented demagogic call to violence. Somehow all this noise about tabloid TV obscures what is really going on. Certainly the provocative nature of these programs links them together. Their producers have realized that the limits of acceptable content have expanded and that the TV environment is like a crowded newsstand where, to get noticed, one must cut through the clutter. Being provocative is one tried-and-true method.

But these programs share something vital to television. Like MTV, this is television largely created by and for a generation nurtured on the tube, exploiting properties unique to the medium (little surprise that it is MTV pioneer Bob Pittman's Quantum Media that produces Downey). Generally these programs are cheap to produce—\$25,000-\$50,000 per half hour, a fraction of the cost of a network series. They feed off young staffs that operate with a Front Page, can-do mentality.

These programs are giving birth to a generation of news punks. While serving an insatiable public appetite for controversy, they are also providing a true programming alternative. The news punks, for better or worse, unburdened by the past, are playing a fast and rude game. Their programs, charged with sonic and visual adrenaline, are changing the rules of how TV news and information are presented. "The network monopoly on real life [programming] has been broken forever," says Geraldo Rivera with glee.

That the news punks have thrashed their way onto the networks was evident when CBS News aired *48 Hours on Crack Street*, cribbing a page from Geraldo's playbook. Local news operations across the country have shamelessly copied *Most Wanted*, with segments such as Florida's *Most Wanted* on WSVN Miami's newscast.

These programs, which reward brashness and innovation, will have far-reaching impact as their raucous offspring are hired away. It's probably only a matter of time before a news punk who cut his chops on *A Current Affair* or *America's Most Wanted* makes news director and airs dramatic crime reenactments as a nightly newscast feature.



America's Most Wanted producer Linder fights bad guys with neo-Hitchcock crime reenactments. Critics call it video vigilantism. Linder counters, saying the program lets viewers know they can help in the war on crime.

"I don't have my crystal ball," says veteran news director John Corporon of New York's WPIX-TV, "but with the kind of ratings these shows get, it raises the possibility of a station that's suffering in the ratings borrowing some of their tricks."

The ascension of the news punks ruffles the journalism establishment: How dare they soil the fourth estate? "The old rules of journalism are pretty much out the window. The ethic is to grab an audience and get it to watch," opined Pulitzer Prize-winning critic Ron Powers on a recent *Nightline*. "What we're seeing now is the blueprint for a new kind of value-free, content-free, high-impact programming that calls itself news but is really something else."

Powers' analysis is too facile, too black and white. Certainly, the news punks' hell-bent approach can lead to abuse—when Geraldo crashes through a door in a televised live drug bust there's always the possibility that innocent parties will have their faces splashed nationwide. Still, the news punks' aggressive stance can break news and inform, heightening awareness of important topics. Downey, for all his fractiousness, at least has people talking about social and political issues. Their willingness to exploit the visual properties of the medium, to stir things up, cannot be dismissed.

"Even in the worst of these shows, the audience comes away with something they didn't know before," says Rivera. "You can't say that about the game shows they replace. Rather than go 'tut tut tut' about the decline of quality TV, look at what's being offered."

Each of these programs has a distinct personality, but they all share an interactive quality. The best of them deliver a visceral hit—they create an emotional link between TV and viewer. Like it or not, the news punks are 1990s TV. They are heating up the cool medium, changing the programming equation and showing how news and information can make money.

"The problem with TV is not that there's too much controversy," says Phil Donahue. This despite the fact that grandpa-news-punk Phil admits he has to work a lot harder with Geraldo and company encroaching on his turf. "It's that [TV programming] is too bland."

A lot of the people who will decide if these programs fly agree. "I hate how sanitized the medium has become," says Post/Newsweek Stations Inc. chairman Joel Chaseman. The genre, he explains, offers an alternative to game shows and sitcom reruns. "At least the producers of these shows are trying to escape the grayness that's out there."

The best examples of tabloid content with visuals and audio to match are *A Current Affair* and *America's Most Wanted*. Both programs, from the belly of Murdoch's Fox beast, rely on dramatizations of crimes and were initially produced on minuscule budgets. Both have been surprise successes for Fox. *A Current Affair*, produced at Fox's WNYW in New York, went into national syndication last October and now clears more than 75 percent of the country. *America's Most Wanted*, produced at WTTG in Washington, has been the Fox network's most-watched program, occasionally doing better than Big Three fare.

America's Most Wanted's searing buzz-saw guitar

theme leads back in from a commercial. It's time to pay attention. Host John Walsh rests against the desk on the studiously disheveled police-office set. Save for the giant *America's Most Wanted* logo on the wall and a TV monitor, it looks like the set of *Barney Miller*.

"You can make a difference," says Walsh, after presenting a piece about a man accused of firing two bullets into the head of his neighbor, who survived to play himself in the reenactment. "If you know the whereabouts of this fugitive, let us know what you know."

Two more segments of violent mayhem, including one where a couple is suspected of beating their young daughter to death, play out. Walsh again urges viewers with information to call in, and the credits roll. The bank of operators off to the left of the set are fielding calls at a rate that would give a home-shopping network pause. Various law-enforcement types related to the different cases linger nearby to field any promising tips.

The executive producer, Michael Linder, sits in his basement office at WTTG. There's cop kitsch all over the place—a white outline of a corpse on the carpet, with a bloody dagger lying alongside it; a collection of exotic toy pistols; a photo that changes with the light from Sgt. Joe Friday to his partner, officer Joe Gannon. It all oddly seems to fit the space's Oriental motif. It's very hip in a cops-and-robbers sort of way: a genuine news-punk rec room. It makes sense that this is the lair of the producer who melds his New Wave sensibilities to the law-and-order mentality of veteran victims' rights activist Walsh and the police agencies, who provide a framework for the program.

Linder is explaining why a program that's part docu-drama, part *Dragnet* and part telethon works. "It's like when people were viewing Vietnam War violence night after night pouring out of the tube," Linder says. "After a while, it had an affect on the way people viewed the war. *America's Most Wanted* makes a subtle change in the perceptions of viewers too. They are alerted to the violence that's out there, but instead of feeling hopeless, they feel they can be part of a solution."

There's no doubt that the interactive component of *America's Most Wanted* has propelled it to success. The program got the kind of publicity boost that is a producer's dream when a criminal profiled on the first episode was apprehended via a tip called in to the program's 800-CRIME 88 hot-line. After seven months on the air, 17 bad guys had been apprehended through viewer tips.

Fox has heavily promoted the crime-stopper component of the program. It makes good business sense to do so, despite such critics as the *Los Angeles Herald Examiner's* David Gritten, who calls the show "video vigilantism." This is not such a bad thing in the view of Fox vice president Thomas Herwitz, who would have us believe that Fox's prime motivation in airing the show is public service and that the money coming into the network is secondary. "We've always viewed [*America's Most Wanted*] as a special project aimed at serving the needs of our viewers, who are more concerned than ever about crime," says Herwitz. "Advertisers are saying that to be a part of it is to be in an environment perceived as doing something for the public good."

No such illusions exist about *America's Most Wanted's* alter ego, *A Current Affair*. Advertisers

such as Honda, Mitsubishi and Manufacturers Hanover are presumably buying time on *A Current Affair* because of the show's appeal to a relatively upscale audience. And when Canada Dry runs a spot showing a young, affluent couple sipping ginger ale, talking about restaurants where they serve sun-dried tomatoes, somebody clearly believes yuppies are tuning in. In eight of the 14 markets where *A Current Affair* goes head to head with *Wheel of Fortune*, it beats the game show in the all-important 18-to-49 group.

There is a perception that tabloid TV's rise is in part a result of "two-tiered TV," where what's left of the broadcast audience after VCRs and cable have taken their bites are lumpen proles: blood, guts and sex fans. But *A Current Affair's* audience proves a taste for the sensational transcends class. "In New York we're doing better numbers than two of the network affiliate newscasts in \$40,000-plus households," boasts Twentieth Century Fox Television v.p. of research Steve Leblang.

"Most people like to see other people's dirty laundry," says Katz Television v.p. and director of programming John von Soosten, attempting to dis-



.....
A Current Affair taps the sensationalism mother lode. Veteran newscaster Maury Povich, with his 'can you believe this?' demeanor, lets them zip from tawdry star profile to gruesome small-town murder in a slick half hour.

NEWS PUNKS: THE LITE SIDE

It's the Steve Friedman show. The executive producer of *USA Today: The Television Show* enters his office and flips on the three TVs, each tuned to a different station. Sitting down, the maestro of lite tabloid TV picks up a baseball and heaves it at a "No Standing" sign hanging on the end of a steel pole laid across the TVs—the fireball is a little chin music for the interviewer on the other side of the desk. Friedman won't be pigeonholed. His program will be like no other.

Friedman has been called a hypemaster, and that he is, but he has his successful tenure as executive producer of NBC's *Today Show* to back up the bravado. Indeed, it was his track record (and that of GTG chief Grant Tinker) that allowed *USA Today* to clear 95 percent of the country before there was any product to show. More than 60 percent of its clearances are in prime access.

Now there's product, and according to Friedman it's nothing short of revolutionary. "People have tried to label us, categorize us, but in the final analysis [*USA Today*] is its own category," he says.

The program does have a zippy look. The scrubbed-clean anchor crew has no news desk for protection; sometimes they even stand on a floor mock-up of *USA Today: The Newspaper*. Like its namesake, the program is divided into four segments: News, Money, Lifestyle and Sports. The segments fly blithely by the viewer, the producers for the most part eschewing traditional bridges and letting pictures—embellished with plenty of snappy graphics—do the talking. The production quality is first rate, as well it should be with a \$40 million budget. Still, save the amount of information crammed into 22 minutes, there's nothing revolutionary about the content. It's a combination of upbeat features and service pieces: tabloid TV's soft side.

If *USA Today* hits, the effect will be far reaching. News-punk stalwarts such as *A Current Affair* could get burned up against it. It could turn the tide against hard talk and news, with even the networks mimicking its lite-news approach. But the jury is divided on whether it will work. "If [*USA Today*] succeeds it will be a slow build," says Seltel's Janeen Bjork. "Will people who've watched news want to watch even more news?"

Friedman has heard that before. He's also heard how his program signals the demise of "serious broadcast journalism." "People would rather watch us than another boring report from the Persian Gulf," he says, exasperated. "There's plenty of room between 7 and 8 P.M. for information [programming]. Everything doesn't have to be a game show. Don't ask me if we're going to ruin network news—ask Merv Griffin." **J.M.R.**



Macatee, Magnus, Young & Walker
USA Today's easy-watching news.



Geraldo grafts his marauding-reporter bit to the Donahue form for pumped-up TV talk.

sect *A Current Affair*'s appeal. "They love to peer into people's houses, see their tragedies and feel glad it's not them. Most people are voyeuristic."

The arch trio that created *A Current Affair*—two Australians, executive producer Ian Rae and senior producer Peter Brennan, along with producer Joachim Blunck—thrive on feeding the peeping masses. Veterans of Murdoch's News America organization, they are expert at tapping sensationalism's mother lode and giving it their own particular spin. Having veteran newscaster Maury Povich, with his comfortable "can you believe this?" demeanor, as their anchor cum foil, lets them zip from tawdry star profile to gruesome small-town murder in a slick half hour.

Fox's power news-punk trio revel in the controversy they create. They are building a raucous video beachhead for Murdoch's global media machine. When *Los Angeles Times* critic Howard Rosenberg wrote that *A Current Affair* was so foul it had to be watched with a gas mask, they laughed about sending him one. When a new field producer, a man with blond hair several inches past his shoulders, was hired, Brennan told him, "When you come to work for us, mate, whatever you do, don't cut your hair." Fox news punks love to contrast their freewheeling style with the button-down culture of network news.

"TV has developed a habit of going and doing issues—Oprah does wife beating or sexual whatever," says Brennan. "We single out the individual's story and let him be the symbol of what the issue is. It's nothing new, *60 Minutes* has been doing it for years. You're dealing with a direct one-on-one relationship with the subject of the story and the audience. *A Current Affair* is about extraordinary things happening to ordinary people."

"You walk a very fine line with [*A Current Affair*]. We don't do hookers, lesbianism or incest," adds Ian Rae. The executive producer wants everyone to know his program has standards. It's not simply a grab bag of the sensational.

"We might tell a hell of a story, like the one we did the other night," Rae explains, relishing the memory of a favorite segment. "It was about a couple in love, and we told the whole love story right down to the moment they wanted to get married

and made that horrific discovery—they were brother and sister. It wasn't a story about incest. The word was never uttered and never would be. It was a real human story—a tragic love story. We were very careful about that."

From *A Current Affair*'s early days two years ago as a New York-based nightly show operating on a meager \$35,000 a week, it has managed to break the kind of stories that make headlines and ratings, such as the first TV interview with Baby M's mom, Mary Beth Whitehead. The streak continued as the program went national and the budget increased to roughly \$150,000 to \$200,000 a week. When *A Current Affair* had an exclusive of a home videotape showing preppy murderer Robert Chambers, out on bail, frolicking with a bevy of nubile girlfriends, the program made national news and in some markets scored the kind of ratings associated with a network hit. In New York, *A Current Affair* scored a 20.9 rating and a 34 share, wiping out *Wheel of Fortune*. Granted, that was in the city where Chambers' sensational crime occurred, but as far away as San Francisco it scored a 20 share, beating out *Evening Magazine* and *Entertainment Tonight*.

"*A Current Affair* begins where *20/20* left off," observes a veteran network news executive. "Watch. Someone will take it the next step and on a network level do a national tabloid newscast. Maybe it will be Murdoch. If there's a summit in the Soviet Union, it will do a piece on Russian sex."

If that newscast ever gets launched, the one person sure to be on anyone's short list for anchor would be Geraldo Rivera, the closest thing the news punks have to a veteran superstar. Syndication has been good to Geraldo. Rivera's Tribune-produced specials have been major syndication hits. CBS ratings guru Dave Poltrack recently called Rivera's talk show last season's most successful syndication debut—in the May sweeps it cracked syndication's top 20, moving into eleventh position.

Dressed in tennis whites, Geraldo unwinds in his sun-filled penthouse office suite, with its perfect catbird seat on the tumult of drugs, sex and violence of New York's Eighth Avenue near 42nd Street. It's the cocktail hour. An aide slips into the office and makes the boss a gin and tonic.

The day before, a front-page article in *The Wall Street Journal* had taken a swipe at Rivera, claiming his talk show "explores the extremes of tabloid TV." Other critics have been harsher. In *Vanity Fair*, James Wolcott condemned Geraldo for a show on child abuse where he held up photos of battered children to the camera. "Child abuse is so ghastly appalling," Wolcott wrote, "it doesn't need this pornographic layer of pulp exploitation to make us feel distraught."

Rivera has little patience for highbrow critics. "Who the hell is he to say that?" the Godfather of the news punks explodes. "He's writing about child abuse in *Vanity Fair*. Please. This guy is about 10 million miles from the streets. The critics, the professional ethicists and people whose job it is to observe rather than to do are so removed from the reality that all they can do is complain about the form. They're frustrated. They're watching the world go by and having zero impact. Emotion and passion scare these people."

The rap is pure Geraldo. It can be tuned in five



.....
Off-camera, Downey is a hail-fellow-well-met charmer, but when it's show time he goes into his crazed-wrath-of-God mode. His show is 3-D TV, those *Jaws* chompers biting into America's living room.
.....

days a week. He is the master TV craftsman of righteous indignation, knocking a perceived elite who will talk social problems to death but won't do anything about them. The subtext is that he is the get-tough crusader, and unless you show the villainess that's out in the world, nobody will take action against it. "That's Geraldo's appeal," says Seltel programming v.p. Janeen Bjork. "It's that aren't-you-appalled link with the audience."

That appeal is not Geraldo's alone. Tapping a strain of outrage in the public psyche, whether it's with crime or some other outlandish behavior, is at the center of what makes the news punks score. In the same *Vanity Fair* article, Downey is slammed for holding up gruesome pictures of a teenage girl who had been raped, mutilated and murdered. In his dressing room before show time, while Downey planes his face with an electric razor, he's asked about the article. His reaction mirrors Geraldo's. Off-camera he is a hail-fellow-well-met charmer, but mention of this piece sends Downey into that on-camera, crazed-wrath-of-God mode that provides him with a happy payday.

"That really steams me. That hits a button, because it was so intellectually dishonest to write," he says, trademark teeth in *Jaws* position. "My God, we didn't run a promo at the top of the show saying we were going to run that picture. We showed it in the fourth segment on a show about whether minors should get the death penalty."

Mort works the razor again and goes into graphic description of what happened to the girl and how, because the person responsible was a minor, he will be released from custody when he's 21. "If that happened to my daughter or my sister, I'd kill the guy and take my chances with a jury."

"Right on, Mort!" says the makeup lady.

There's no room for sunny objectivity with news punks. You have to stand for something. Morton Downey Jr. has a long history of political activism, including lobbying for anti-abortion groups. *Most Wanted's* John Walsh is an advocate for victims' rights and missing-children programs. He's the father of Adam Walsh, whose kidnap and murder inspired two made-for-TV movies. Combine a zealous host with sensational visuals and the result can be compelling, controversial TV. "This is an era where the toughest talk-show hosts connect," says All American Television president George Back. "These are hard times for the wimps."

The ascension of the news punks hasn't been predicated solely on tapping the viewer's sense of righteous indignation and taste for the lurid. The production values of these programs show a profound understanding of the medium. Downey's senior segment producer, Peter Goldsmith, says the talk show is directed like a sporting event—the camera work mirrors the hyper tempo of the program.

Geraldo Rivera's specials are juiced with live remotes via satellite and gritty cinema-verite camerawork. Taking advantage of his flair for the streets, Rivera has opened up the Donahue form, adding mini-documentaries with his Walter Winchell-esque narration at the top of his daily talk show. Certainly local newscasts have taken notice, employing similar techniques in their programs, taking to the streets to get live footage of the drug bust of the day. There's evidence of the Geraldolization of network news when ABC News produces *Drugs: Why This Plague?*

Mini-docudramas propel *America's Most Wanted*. The segments borrow heavily from the horror/mystery film lexicon, to push the there-but-for-the-grace-of-God-go-I button in the viewer. When it's time for the inevitable act of violence, shots are set up from the victim's point of view. Viewers don't see the baseball bat actually coming into contact with the victim's head, but while an electric guitar wails, the perpetrator's face and weapon in motion fill the screen. The segments are often shot in a style similar to those toney psychosexual fashion commercials. It's not surprising that one of Linder's favorite segment directors also shoots spots for Guess? Jeans. "I tell my directors, shoot like Hitchcock," says Linder. The result, he claims, is a show that doesn't look like anything else on TV.

The folks at *A Current Affair* make the same claim for their show. Indeed, from its premiere, the program established an identity with unique sound and graphics that were easy to grab onto. The signature amalgam of sound that sends the animated pyramid logo spinning into focus gave the program its own heavy-metal version of *60 Minutes'* ticking stopwatch. They call it "the kachung" and Povich claims it's named after his wife, Connie Chung.

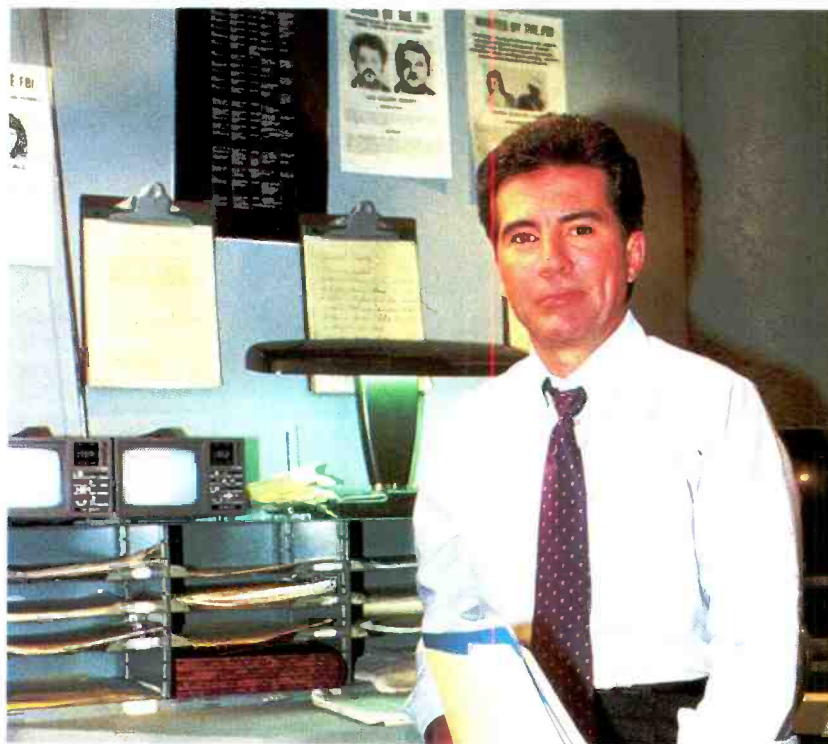
"The way we look, the way we sound, is like nothing else on TV," producer Blunck says matter-of-factly. He has that cocksure attitude of a Murdoch lieutenant, laying the groundwork in America for his boss's global media empire. He walks double-time through *A Current Affair's* frenetic electronic newsroom, pointing with pride at all the state-of-the-art gizmos that give the program its gloss. Blunck claims the show can produce pieces that compare with anything on the network news-magazine shows, and his crew does it five days a week. "Cut-through TV is what we do," says Blunck. "Cut through the bullshit."

Here come the news punks.

THE TABLOID NEWSSTAND

- **A Current Affair:** Syndicated by Twentieth Century Fox. 75 percent coverage.
- **The Morton Downey Jr. Show:** Syndicated by MCA TV. 70 percent coverage.
- **Geraldo:** Syndicated by Paramount. 92 percent coverage.
- **Group I Medical:** Syndicated by MGM/UA TV. 78 percent coverage.
- **Liddy:** Syndicated by All American Television. 70 percent coverage.
- **USA TODAY: The Television Show:** Syndicated by GTG Entertainment. 95 percent coverage.

All clearance figures as of July 18.



Most Wanted's host John Walsh helps legitimize the program's crime-fighter stance.

Who is Christopher SKASE?



By colorizing oldies, Roach has raised a ruckus.

He's already a major Aussie player, but the brash investor also hopes to build a U.S. media giant around Hal Roach Studios.

by Alex Ben Block

Is America ready for another Australian media baron? This one has managed, in 12 years, to leverage a handful of investments totalling slightly over \$85,000 (U.S., as are all dollar figures here) into a \$1.9 billion global empire whose assets includes American resort and media properties, among them Hal Roach Studios. His name is Christopher Skase and—Hollywood take note—he doesn't give up easily.

Australian media-watchers were thus fascinated recently when the self-assured Skase, he of the flashy smile, rugged build and movie-star looks, committed a rare fumble in what was his first effort at lobbying his country's lawmakers.

It happened last April, after Skase had acquired TV stations in Perth and Adelaide on his way to assembling Australia's third television network, known as Network Seven. His company, Qintex Ltd., could suddenly reach 75 percent of Australia's 16 million viewers. But it created problems for the 39-year-old Skase, since Australian law bars anyone from owning stations that reach more than 60 percent of viewers.

Skase, however, was not to be deterred. Advised by a number of associates to hire professional lobbyists, Skase chose instead to personally lobby for a change in the rules, believing he could

surely bring government into his corner.

He then proceeded to make every mistake in the book: He failed to recognize key legislators when he bumped into them, called others by wrong names, addressed letters and telegrams with incorrect titles and generally managed to offend more people than he swayed. Despite government support, opponents easily defeated his measure. A clumsy attempt to attach it as a rider to another bill was also defeated, amid charges that the government was looking after its "rich media mates." Called before a legislative committee in June, he finally gave up. "I have resigned my position as a lobbyist," he announced.

It was a rare defeat for Skase, who though forced to sell off majority interests in several of the seven television stations, will likely retain them as network affiliates.

Stuck with Australian limitations, Skase has now turned his attention to the U.S., which offers expansion possibilities as well as a ready source of programming for Network Seven. "Christopher Skase has said he wants to reach a position where Qintex is 50 percent in Australia and 50 percent in the U.S., which means he will be making some very heavy additional investments over here," says David Evans, a Los Angeles-based Australian who is president of Qintex Entertainment. "I'd say Qintex is looking to make over \$1 billion in acquisitions in U.S. media, entertainment and resorts fairly soon."

Kevin Shultz, a banker at Drexel Burnham Lambert in Los Angeles who often works with Qintex, expects a "statement acquisition." He means a deal so large it would immediately put Skase into the U.S. big leagues. It could be the purchase of a movie studio or major production entity. Hal Gaba, who works as a consultant for Qintex seeking acquisitions, says a firm that produces network programming is a top priority: Qintex is also seeking large film and TV libraries.

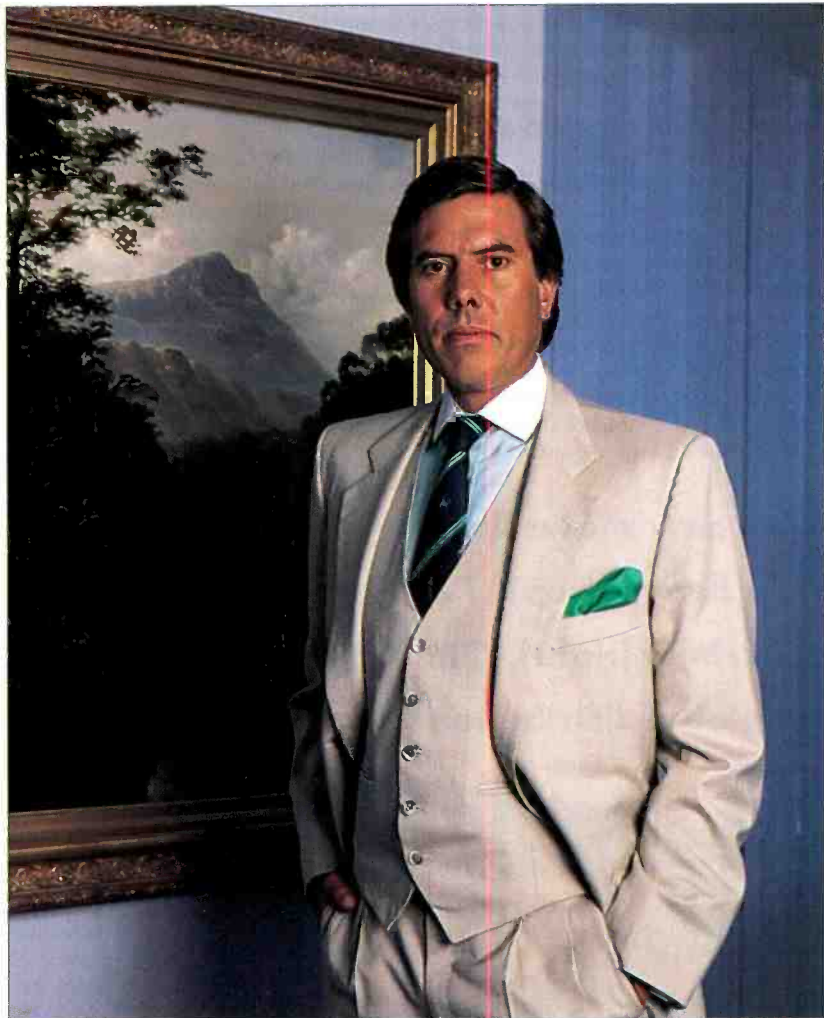
To some observers Skase seems to be following the lead of fellow Australian Rupert Murdoch, owner of Twentieth Century Fox, its stations and network. "He's out to out-Murdoch Murdoch," says Douglas Lowell, an analyst with Ladenburg, Thalmann & Co. "Being that he is still only 39 years old, I think he probably will." Joining others like Television South, which recently purchased MTM, and Sony Corp., which is looking to build on its acquisition of CBS Records, Skase is part of the wave of foreign money cascading into the U.S. media.

While few in the U.S. have heard of Skase, many know of his U.S. beachhead. He began just over two years ago by acquiring control of Hal Roach Studios, a small producer and distributor that gained attention most recently for colorizing old TV series and movies. Skase then engineered the merger of Roach with Robert Halmi Inc., a leading producer of TV movies and miniseries. The two companies have now been placed under one umbrella as Qintex Entertainment, which is run by Evans.

Another former Roach subsidiary, HRBC, for Hal Roach Broadcasting Corp., operates TV stations in Milwaukee and Birmingham, and manages, for bankruptcy trustees, four others that once belonged to Milt Grant. Robin French, who supervises HRBC for Qintex, says they are actively seeking to acquire more independent stations in the top 20 or so markets. (HRBC technically is an autonomous company, since a foreign national can't control U.S. TV stations, and its stock is held by U.S. citizens. Qintex, however, holds warrants to control over 80 percent of the subsidiary, which can be exercised in case of a sale or a spin-off—as a way to raise capital—or if Skase elects to become a U.S. citizen, as Murdoch did when he bought Metromedia's

stations. Since that would cost Skase his Australian network, that seems unlikely.)

For all of his globe-trotting, Skase's roots are firmly in Brisbane, where he lives in splendor with his wife of nine years, Dixie, and her four teenagers. Impeccably groomed, he is known for a trademark waistcoat and colored shirts with white collars. While the rich and powerful of Australia traditionally reside in Melbourne or Sydney, Skase has chosen Brisbane, which is a bit like running CBS from Peoria. His move from Melbourne caused a stir when he tore down two historic houses high on a hill in



Like many Australian moguls and entertainers, success down under for Christopher Skase isn't enough. Building a U.S. empire just might be.

Brisbane's best area to build a huge mansion.

"He leads an extravagant lifestyle typical of any newly rich person," says Liz Fell, an Australian journalist who has covered him for several years. And, Fell says, Skase hasn't yet won over the Australian financial establishment. "He's a kind of whiz kid. But if he went one step wrong, all around financial circles you'd hear them saying, 'I told you so.'"

Skase began in considerably less regal circumstances. Raised in middle class Melbourne, his first job was as a retail stock broker. He left after two years to write for the *Australian Financial Review*, where he became fascinated with acquisitions. Studying corporate structures, he came to admire the use of leverage. In an Australian interview (Skase did not respond to repeated requests for an interview with *Channels*), he recalled how his plans took shape. "I was convinced when I left the *Review* that I knew it all," said Skase. "I would pick the first target after I had assembled co-investors. We would make either an agreed offer or an offer that was seen to be so attractive by the shareholders that they would accept because it

would improve the fortunes of the company. We would just keep doing this and ride off into the sunset.”

Skase went to a commercial credit lender and told them he had saved a few thousand dollars and needed more capital. They lent him enough to raise his stake to \$12,000. Others chipped in another \$73,000 for what became Team Securities. After winning a six-month battle for a holding company that controlled an aging Melbourne hotel, Skase's second acquisition was Qintex, a cash-rich shell company.

In 1977, Skase walked away from Team Securities with \$68,000 in cash and a controlling interest in Qintex. It became his vehicle for additional acquisitions, starting with a retail jewelry chain. Constantly issuing debt securities and creating new corporations, Skase kept leveraging his investments into larger holdings and, by 1984, he controlled a small public company with assets of just over \$102 million.

In 1984 Skase and his wife came to Los Angeles for the Olympics, fell in love with the U.S. and became obsessed with investing here. With the U.S. population aging and finding themselves with more leisure time, Skase suddenly decided to look over U.S. resorts. Abruptly canceling his plans to attend the Games, Skase and his wife drove to Santa Barbara where he sat in a hotel making phone calls and doing research before taking a fast tour of the entire U.S. sunbelt, visiting leading resorts and theme parks. When it was over he had developed his strategy. He would concentrate in two areas: leisure and resorts; and broadcasting and entertainment.

Within two years he had opened two five-star resorts in Aus-

tralia before buying control of Princeville, a resort on the island of Kauai in Hawaii. In each place the pattern was the same. He borrowed to the hilt to buy or build, often in partnership with Japanese investors, and then got his initial cash flow by selling condos. By the time those were gone Skase's hotels and retail stores were producing revenue.

In 1982 he had purchased two small TV stations in Queensland, which brought the then unknown Skase to government attention. The Australian Broadcasting Tribunal launched an inquiry to determine his fitness to hold a license, questioning why he had some 300 interlocking corporations, all leveraged to boost the next. Eventually he got the license. Last year Skase also tried to take over Australia's biggest electronics company and major defense contractor, Amalgamated Wireless Australia. Poison-pill provisions foiled him but he came away with a huge profit.

Skase moved into broadcasting in a major way in July 1987, when he agreed to pay \$555 million over several years to John Fairfax Ltd., an old-line publisher, for stations in Brisbane, Melbourne and Sydney. In a complex deal, Fairfax purchased some 15 percent of Qintex for \$71 million. Skase also sold his Brisbane station for a huge profit and last July paid off most of his remaining debt to Fairfax, two years early, for about 50 cents on the dollar, after Fairfax ran into financial difficulty. He also engineered the sale of the Fairfax stake in Qintex to a large Australian insurer that frequently backs his real estate projects.

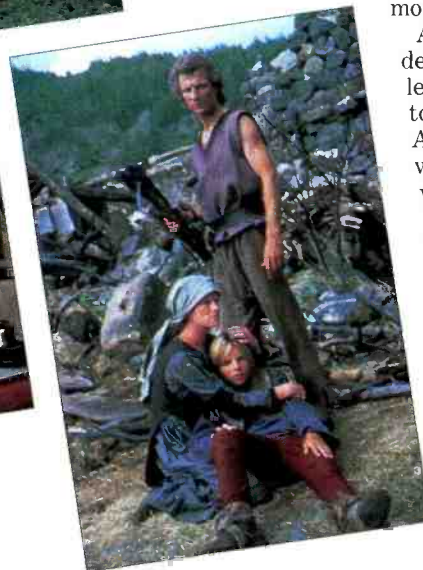
Skase suddenly became an important national figure. After years of little activity, suddenly, in 1987, all three leading Aussie broadcast groups were sold. The Nine Network, long the most popular, was sold by Kerry Packer to Alan Bond, the English-born industrialist and brewer widely known as head of the syndicates in the America's Cup races. Second-ranked Network Ten was sold by Murdoch to Frank Lowy, a developer of shopping malls in Australia and on the U.S. East Coast.

Network Seven was a poor third in the ratings. Under Fairfax, it consisted of three stations airing shows at different times, and lacked the coverage to be called a network, enabling Skase to acquire the properties at a discount. Melbourne broker McIntosh, Hamson, Hoare, Govett Ltd. estimated that Qintex reached viewers at \$49 a head compared to \$80 for Lowy and \$88 for Bond. Skase quickly revamped Seven from the top down. He invested heavily in programming, including rights to sports events like the U.S. Open. For the first time, Seven's shows aired simultaneously on all stations, allowing national promotional campaigns. Seven became the first network to sign up regional affiliates, which reach an additional 21.7 percent of the viewers (for a total of just over 92 percent coverage, the country's highest). And Skase personally inspired the creation of several original TV shows, including a news magazine and a morning business program.

All Australian networks make output deals with major U.S. producers. Ratings leader Nine Network, for instance, has ties to Warner Bros. and Columbia Pictures, ABC and CBS. Network Ten has deals with the BBC, MCA and Fox. Skase's network, with ties to MGM/UA, NBC and London Weekend Television, was in the weakest position, and Skase recently lost a bitter battle with Nine for rights to Cable News Network programming.

This constant need for more programming is what's been adding pressure on Skase to make significant U.S. moves. In some ways, his timing was perfect. With U.S. networks losing share, license fees for programs have been cut. That means producers must increasingly look to other revenue

With new shows like *The New Leave It To Beaver* (top), *T & T* (left) and *Crossbow* (right), Qintex is aiming for global distribution.



sources to cover deficits—a prime candidate being foreign co-producers. “We want to produce shows in Australia, where costs are lower, that will be acceptable in the U.S. and everywhere else,” says Evans. “We will utilize top Australian directors, performers and crews, and then blend in internationally known stars.”

It was while on a trip to Australia seeking international co-financing that Evans, then a Roach consultant, met Skase, and eventually brought him into Roach as an investor. Founded in 1914 by Hal Roach Sr., who though still living is no longer associated with the company, the studio became a productive B-movie factory. Roach created *Laurel and Hardy*, *Our Gang* (*The Little Rascals*), comic Harold Lloyd and film series such as *Topper*, which made Cary Grant a star. Roach brought his son into the company in the 1960s, which led to weak efforts at diversification. Roach teetered on the brink of bankruptcy by 1970, when it was taken over by one of its creditors, Canadian Earl Glick, who ran it through the 70s, milking the remaining library (mostly *Laurel and Hardy* films) and collecting an eclectic mix of businesses including The Singing Machine (a singalong system using pre-recorded tapes) and the first company that used computers to add color to black-and-white movies and TV shows. To market the movies Glick expected to colorize, he looked around for new management and investors.

After Embassy Communications was sold in 1985 to Coca-Cola, several Embassy executives, led by French and Gaba, were looking for a place to invest both their windfalls and their talents. Glick brought them into Roach, selling an initial 30 percent stake to a group that also included Outlet Co., former Embassy owner Jerry Perenchio, producer Ray Stark and theater-operator Ted Mann (all since have sold pieces of their holdings). Al Krivin, former president of Metromedia Broadcast Group, came in to create a TV-station division, which became HRBC.

French and Gaba were free-wheeling entrepreneurs who envisioned colorization as the key to success and began colorizing movies from the public domain as well as the Roach library. Roach's home-video and syndication divisions were upgraded. But they welcomed Skase because of his capital, and he agreed to slowly buy out Glick, whose ideas no longer seemed to fit in the company's mix. Roach had already made a 23 percent investment in Robert Halmi Inc., and soon took over distribution of Halmi's made-for-TV movies.

No sooner had Skase arrived than things seemed to fall apart. Colorization became controversial, pitting Roach against the Hollywood creative community. Ray Stark backed out of more investments and a deal to produce TV for Roach. Home video reported large losses and the Singing Machine faltered. Worst of all, the syndication market was suddenly glutted with product and prices were dropping. Then reality really hit the colorization business. “It became clear that when you colorize a black-and-white B-movie, you still have just a B-movie,” says Jon Lloyd, Qintex Entertainment's chief financial officer.

Qintex soon learned that the same rule applied to TV series. An effort to colorize and sell the Jackie Cooper *Hennessey* series was a dismal failure. “It was priced too high initially and could

never recover,” says Mort Marcus, a former Coltex executive who now runs Qintex sales. With things going badly, Skase wanted more discipline and tighter management.

Claiming Roach was top heavy with managers, Skase moved French and Gaba out and replaced them with Evans. French was asked to supervise HRBC and Gaba, a brilliant financial executive, became a consultant to Qintex charged with finding acquisitions in entertainment and resorts. Skase is actively seeking to buy or build U.S. resorts, most likely in Southern California and Florida. Evans then engineered a total merger with Halmi, which was also running into problems. Its main business was making TV movies for CBS at a time when CBS was sharply cutting orders and prices.

Under the reorganization, Halmi, currently producing the *Lonesome Dove* miniseries for CBS, becomes the production arm and Roach becomes the distributor, all under the Qintex name. Discarded are The Singing Machine, the home video division, and other things unrelated to Qintex's new programming focus.

Evans' first problem was finding product to sell. Using about \$30 million of Skase's money he made an unprecedented deal with MCA. For the first time, MCA, Universal's parent, let someone else into its vault to hunt for TV series to sell, and allowed an outsider to syndicate a new property, its *The New Leave It To Beaver*. Qintex got the right to colorize and sell such MCA series as *McHale's Navy*, the original *Leave It To Beaver*, *The Munsters* and the old live-action *Dennis The Menace*.

Evans also cranked up new series production, including *Flip*, a new live-action kids show airing Saturday mornings on CBS this fall; *T & T*, a first-run barter syndication show starring Mr. T that is a joint venture with Tribune Broadcasting, and has been renewed for a second season despite mediocre ratings; and *Crossbow*, an action series currently airing on CBN, which goes into

syndication in 1991. *Kids Inc.*, begun under Glick, is in its fifth season and now airs on The Disney Channel (it too will eventually be syndicated). The colorized *McHale's Navy* begins airing in 1990. But Roach is ending sales of colorized movie packages. “We're not getting out of it because it is controversial. The economics don't work,” says Lloyd. “The ratings of the earlier ones were disappointing.”

Evans says there will be a lot more emphasis on sales to foreign markets, and co-productions. Naturally everything Qintex produces is also being sold to Network Seven at what Evans calls “market rates.” The real growth, however, is likely to be through acquisitions. With producers and syndicators in a squeeze, Roach itself might have been forced to sell or face bankruptcy had Skase not injected capital. Evans sees the situation optimistically. “Trouble breeds opportunity,” he says, “and we'd like to take advantage of this window of opportunity.”

Skase, meanwhile, has been cutting his Australian debt and building U.S. finance connections in anticipation of big U.S. acquisitions. “[Skase] is still young, but he knows how to run a business,” says Robin French. “There's no question he is extremely ambitious and seemingly tireless, but it is all focused on building a big company. That's what he gets his fun doing.” ●

Contributing editor Alex Ben Block, editor in chief of Show Biz News, last wrote about the state of labor relations in Hollywood.



Qintex president David Evans: Looking for \$1 billion in resorts and entertainment deals.

MUDDLING THROUGH THE MUST-CARRY MESS

The cable and broadcast worlds have been trying to break the logjam over signal carriage. It's an issue tormenting stations and getting cable into hot water.

by Frank Lovece
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It is a crisis. It is not a crisis. After three years, still no one knows. In South Carolina, a TV station is charged \$24,000 a year for the privilege of cable carriage in a town less than 30 miles away. In Florida, a cable system's conditions for local carriage include forbidding a station to use the term "free TV" in its advertising. Elsewhere in the country, cable operators have refused carriage to stations that offer local ads in order to deter competitors.

Anecdotal anomalies or the beginnings of long-term change? The only thing certain about the must-carry issue is that it's raised more thorns and hackles than a pack of cats in a briar patch.

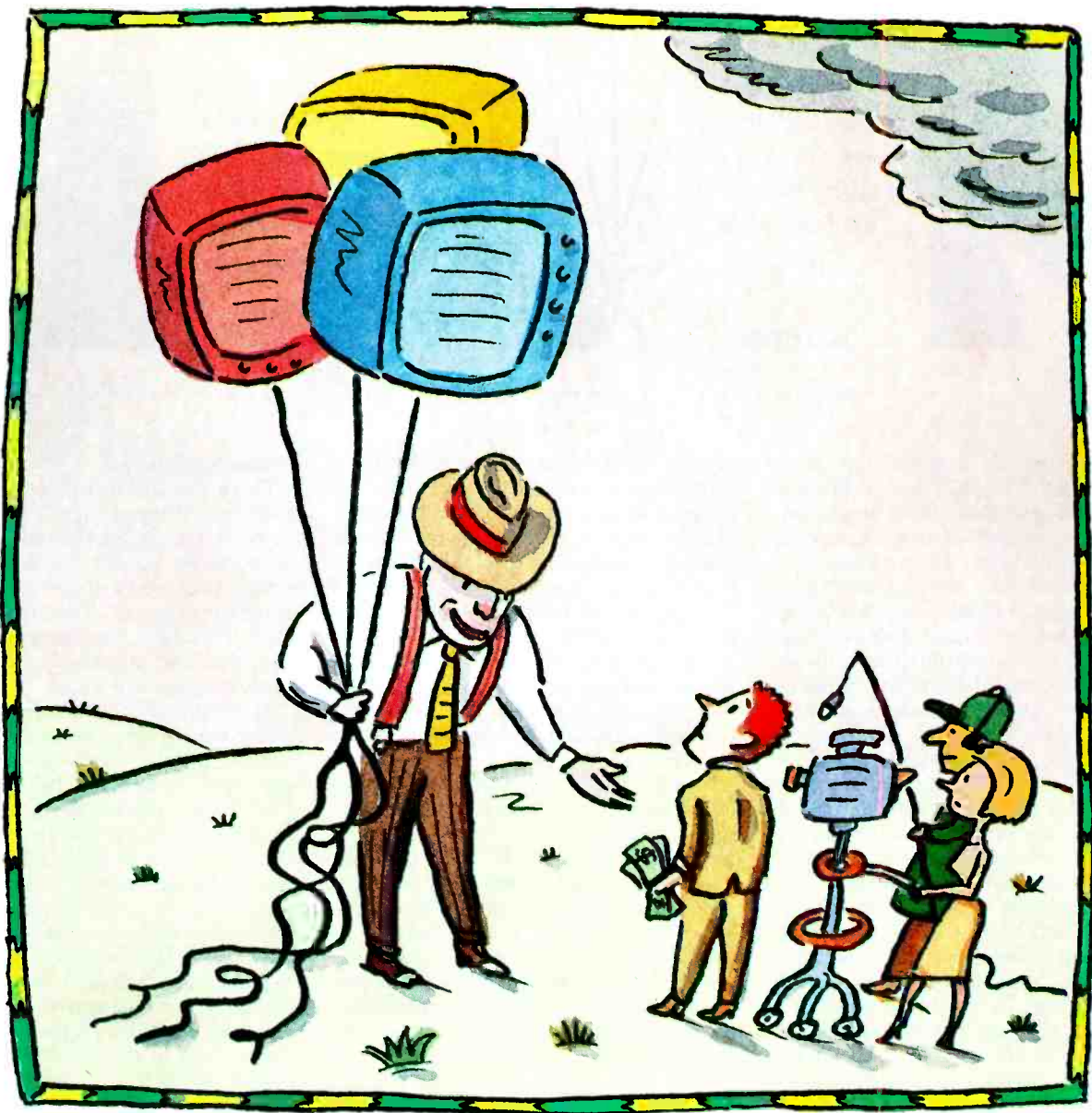
Although the constitutionality of the rules has been debated for years, the issue reached the front pages on July 19, 1985, when the U.S. Court of Appeals declared that the FCC's 1965 must-carry rules, which mandated cable carriage of all local television stations, were an unconstitutional infringement on free

speech. Two months later, the U.S. Supreme Court upheld that decision. Then, two years ago, an industry-wide compromise embraced by the FCC produced interim rules that would sunset after five years. But these, too, were struck down by the appellate court. Broadcasters turned to Congress, and last May the House subcommittee on telecommunications and finance held a hearing on the 1984 Cable Act, including discussion on must-carry. This month, the FCC will provide that subcommittee with the results of the first comprehensive survey on the thorny issue.

From the moment of the first court ruling, critics argued that eliminating the must-carry rules would stifle diversity and lead to the withering of small local broadcasters, of specialized and public stations, perhaps of "free-TV" itself. "The absence of must-carry for local broadcast stations will have a profound, indeed potentially catastrophic effect on the flow of information in our society,"

predicts FCC commissioner James H. Quello. Cable operators, he adds, "will have the power to set the social and political agenda of this country without any governmental obligation to serve the public interest." Moreover, if the rules aren't reimposed by Congress—as part of broad reviews of station licensing, the Fairness Doctrine and the Cable Act—an entirely new set of high-stakes negotiations between local broadcasters and cable operators will determine whether stations are, quite simply, in a position to reach viewers.

Critics of the must-carry rules philosophize about survival of the fittest: Since the FCC has dropped localism requirements for broadcasters, noted Stephen Effros, president of the Community Antenna Television Association, in emotional House testimony, the localism argument is moot; in any case, he stated, "we provide to the public what the public wants—at a price they are willing to pay. If we do not do these things we will fail.



As you know, cable is not failing, so we must be doing something right."

Whether or not the cable industry has been behaving fairly in the post-must-carry era can't be definitively proven. But based on interviews with scores of cable, broadcast and trade-group executives, plus reviews of voluminous House testimony and what bits and pieces of data do exist, some patterns emerge. What's clear is that while the most dire of predictions have not, so far, come to pass, the landscape certainly has changed.

Some bare-bones figures: According to comments filed by public broadcasters in a recent FCC inquiry, 74 public TV stations have been verifiably dropped by cable operators and have not been reinstated. And of the nation's 315 independent stations as of July—181 of which then belonged to the Association of Independent Television Stations (INTV), and 160 of which were surveyed by that group—about 40 have been dropped or refused carriage by cable operators, or shifted to

less desirable channel positions, according to House testimony.

Assuming that the data is accurate, what's harder to determine is whether these figures represent simply the restructuring of a free market or market abuse. In light of the country's total number of TV stations (1,387 on-air in June) and cable operators (8,648 as of May), the percentage of stations negatively affected by the end to must-carry seems minuscule. Yet, the number of viewers already affected is in the millions.

Moreover, there is a growing consensus on both sides of the debate that some elements of the cable industry are abusing their freedom, that the relationship between broadcaster and cable operator has dramatically changed, and that Congress, concerned about the one-sided nature of this change, may soon institute new must-carry legislation. As James Mooney, president of the National Cable Television Association (NCTA), put it during a recent meeting with the

National Association of Public Television Stations (NAPTS), "We can work out some of these [must-carry] problems before they get to be federal cases."

It may be too late. House hearings have taken place, and bills addressing must-carry are before both the Senate and House. And the glaring lack of industry-wide data finally led Congress, last February, to request that the FCC get some numbers together. As a result, last May the FCC mailed to about 10,000 broadcasters and cable operators a voluntary questionnaire seeking empirical, verifiable data. According to Mass Media Bureau chief Lex Felker, by July slightly less than half the cable operators and 65 percent of the broadcasters had returned about 5,000 questionnaires, and a few more were expected to trickle in. The FCC report is due this month.

Despite the incomplete percentage of return, the sheer size of the response makes the survey statistically significant. But Felker says he doubts that long-term



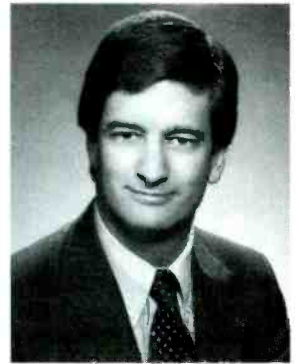
'We provide what the public wants at a price they are willing to pay. If we don't we'll fail.'

CATA's EFFROS



'A must-carry statute will be enacted after the Fairness Doctrine issue is behind us.'

INTV's PADDEN



conclusions can be extrapolated even with this data. The NCTA also commissioned a survey by Price Waterhouse last June; no return deadline was set, though the group hopes to have data soon.

In the meantime, several trends in cable carriage are clear. All concerned agree, for instance, that consumers will not use A/B switches to flip from cable to conventional antennas and that, in many communities, outdoor antennas are neither allowed nor practical.

Most of the trends, however, are the result of a combination of market quirks and the intensely competitive nature of the TV business. Whether a station is carried or not can be based on a variety of reasons, from hardball to oddball. In House testimony, John Malone, president and CEO of Tele-Communications Inc., labeled these trends as "anomalies and inconsistencies [that] have developed around the fringes of cable's regulatory framework, although the core is sound." He went on to call the INTV's study on questionable carriage practices "exaggerated and factually flawed." Yet follow-up research into that testimony, including comparisons of newspaper TV listings and those of local cable guides, and examination of correspondence between broadcasters and cable operators, found that the testimony generally holds up. Even Cynthia Brumfield, NCTA's research director, concedes that the INTV is "technically correct, but there are extenuating circumstances."

The most surprising of the post-rules trends is that not only have marginal stations been dropped or refused carriage, so have stations that are too successful: As advertising venues, such stations compete directly with cable operators for ad dollars. Brian Fontes, assistant to the FCC's Quello, describes it as the law of the jungle. "If I as a cable operator decide to carry local ads, and there's a local indie also carrying local ads, I may decide, 'Screw those guys,' and get rid of them. We're both competing for advertiser bucks," Fontes says.

This is the reason, argues Doug Koontz, g.m. of WAWA in Rome, Ga., that his station is unavailable on Prestige Cable in

nearby Cartersville, just over 20 miles away. Says Koontz: "They've told me our programming is dynamite, but they just didn't want the competition." Dick Caswell, marketing v.p. for Prestige, says they don't need WAWA because Prestige has its own local channel with six hours of local news and other programming daily. He concedes: "We sell local advertising on that channel, and we have local availabilities on ESPN and CNN. But that's a very small part of our revenue source."

Kim Kersey, g.m. of Comcast's Tuscaloosa, Ala., system, plainly says that advertising competition was a factor in moving Tuscaloosa's WDBB, Channel 17—found on cable channel 12 since its 1984 inception—to channel 17. "Consideration was given," Kersey wrote to WDBB g.m. Charles Roundtree, "to major network programming, viewer popularity of cable networks, subscriber convenience and potential for local advertising sales."

Another trend is the dropping of duplicate PBS stations. "I don't know that we've had any instances of [an ADI's] sole public station being dropped," says Baryn Futa, v.p. and general counsel of NAPTS. "Politically and in terms of what viewers expect, it's necessary in some markets to carry two PBS stations." Another NAPTS executive notes that "only second and third public stations are being dropped. You find that in small states where there are statewide systems, the programming is pretty much identical. I don't think anybody would push for carriage for all of them."

Yet in places where multiple public stations are significantly diverse, as in the New York City area, viewers have successfully fought to retain favorites. In response to viewer demands, Paragon Cable, covering upper Manhattan, restored public TV's WLIW Long Island—albeit farther up the dial. There are currently four public stations on Paragon, down from five; dropped was WNJM of the New Jersey Network, whose schedule includes instructional

"classroom" shows.

There are instances as well of cable operators charging local TV stations for carriage. Generally, the condition is that broadcasters pay for or share costs associated with related new transmission-equipment needs. Yet there are also cases of outright fees being charged both for profit and apparently, some station executives say, for spite.

The cable industry contends that operators generally levy such charges only for distant signals, where potentially high copyright charges may be involved. Yet, "two small systems north of Lawrence called me," recalls Monte Miller, president and g.m. of indie KMCI in Lawrence, Kan., "and wanted \$10,000 a month to assure carriage." Miller declined; KMCI has since been unable to get on even the Lawrence cable system, despite being the town's only TV station. Similarly, until the end of 1987, WTGS of Hardeeville/Hilton Head, S.C., paid Cablevision of Savannah, Ga., \$2,000 a month for carriage, with 1.5 percent monthly interest on late payments and \$10,000 in free advertising thrown in to seal the deal. WTGS is less than 35 miles from the Savannah head-end, making it a local, not distant, signal.

ATC Cable of Melbourne, Fla., a subsidiary of the Time Inc.-controlled operator, mandated a one-time charge of nearly \$35,000 to carry that town's WAYK. "They justified it as half for advertising us and half for technical equipment," maintains Bill Varecha, the station's CEO and g.m. But Varecha had less luck with ATC's Orlando system, 54 miles away. "Their attorney asked for \$1 million," Varecha asserts, a figure far beyond any conceivable copyright charges for WAYK's programs in that market. To make WAYK more enticing, Varecha recently merged with construction-permit holders in Daytona Beach, less than 50 miles from the ATC head-end in Orlando's Winter Park suburb.

Sometimes, too, competition creates pressures encouraging cable operators to milk situations for all they're worth. Edward Swyer, head of WTZA in Kingston, N.Y., received a letter from Charles

Townsend, president of Providence, R.I.'s Colony Communications, demanding, among other things, up to \$1.875 million to help install converters in up to 30,000 homes—converters that would upgrade Colony's system and ostensibly allow it to bring in new cable services.

Channel-shifting—moving stations from established spots to elsewhere on the cable system, often to positions higher on the dial in what would be the UHF range—was not technically forbidden by the original must-carry rules; it was only rarely an issue until the proliferation of new cable services came in to compete for prime channel space. Now, say critics, it has become a way of dropping stations without actually taking them off of a system.

Instances of channel-shifting are countless in the aftermath of the court actions. To an extent, it is simply a way of dealing with a glut of cable services and limited

threatened to sue TCI, and only after a very acrimonious meeting did TCI agree to put the three network affiliates back on their original call numbers." Only after "much conversation and political pressure" was the 35-year-old KPTV—seen on channel 12 ever since cable came to Oregon—returned to its original spot. Additionally, TCI in early 1987 moved KPTV/Channel 12 to cable channel 24 in Lebanon and Sweet Home, Ore.; channel 26 in Eugene, Ore.; and channel 29 in Newport/Waldport, Ore. The NCTA's Brumfield notes that KPTV is a distant signal in those towns, thus triggering copyright fees; KPTV research director Lynn Cobb responds that, "according to our ratings and the FCC, we're significantly viewed in all those places," triggering a standard copyright-fee exemption. In any case, cost apparently wasn't a factor since TCI kept the station on. It simply bumped up KPTV to make room

national and local ad spots. And for an industry that hailed the overturning of the rules as a First Amendment victory, it is difficult to explain a letter to WAYK's Bill Varecha from Marcia Malys, ATC Cablevision of Central Florida marketing director, mandating as a condition of carriage that the station "Exclude all mention of 'free television' when advertising WAYK in Central Florida markets."

All of these examples can be taken one of two ways: as evidence of cable's maturing business acumen or as signs of cable's high-handed, monopolistic approach. Though the cable industry would certainly disagree, many on Capitol Hill see it as the latter. "The general feeling here is that there's a favorable atmosphere for must-carry," observes Larry Rasky, press secretary to Rep. Edward Markey (D.-Mass.), chairman of the telecommunications subcommittee. Markey, he adds,



'Two small systems called me and wanted \$10,000 a month to assure carriage.'

KMCI's MILLER



'They've told me our programming is dynamite, but they just didn't want the competition.'

WAWA's KOONTZ



converter space. Yet, station management allege that cable operators often proceed in high-handed fashion. Many broadcasters point in particular to TCI, the nation's largest operator, as especially insensitive in this regard.

"They're bastards," asserts Bill Andrews, general manager of KAME, Channel 21, of Reno, Nev. "They own the world and they know it." KAME, since its 1981 launch, appeared on cable channel 9 in the towns of Carson City, South Lake Tahoe and Stateline, all well within 35 miles of Reno. After must-carry was thrown out, with little warning those three TCI systems bounced KAME to its broadcast designation of 21, making the channel unavailable in hotel rooms—a major shortcoming in that tourist area. Superstation TBS, however, which TCI partly owns through Turner Broadcasting, remained in the VHF range.

Marty Brantley, general manager of independent KPTV, Channel 12 of Portland, Ore., wrote to Rep. Al Swift (D.-Wash.), a long-time telecommunications subcommittee member, with his complaints. "In Corvallis, Oregon, TCI relocated all of the Portland channels to an upper tier even though it was in direct violation of the 1980 Corvallis franchise agreement," Brantley wrote. "The city

for American Movie Classics, a service of which TCI is a part owner.

Despite all this, TCI's Malone told the House panel that his company's general policy is to place local broadcasters on their on-air designation. He then went on to speak of disgruntled UHF indies demanding VHF designation, making no mention of the fact that some UHF stations have been carried on VHF-like designations since cable began and have become familiar to viewers there.

As with any business of over 8,000 outlets, there have been other, odd instances of carriage disagreement, few of which fit particular patterns. Wichita's KSAS, for example, found itself summarily blacked-out by that city's AirCapital Cable when the station's coverage of the Big Apple NIT college basketball tournament was also being carried by the USA Network. With no apparent warning, an on-screen graphic advised viewers that "The Big Apple Classic Can Be Seen Live on USA Network Cable Channel 25," giving KSAS a bad case of angry advertisers. "Yes, it did happen, yes, we had the right to do it," says AirCapital v.p. and general counsel David Fleming of a situation that surely boosted viewership of USA's

"is intent on trying to get a must-carry solution next year."

Others note that Congress is upset with the FCC's handling of the interim must-carry rules, and many members have vowed to make must-carry constitutional by linking it to compulsory license. One bill, sponsored by two powerful legislators—Senators Dennis DeConcini (D.-Ariz.), who chairs the copyright panel, and Orrin Hatch (R.-Utah)—does just that. "In all probability," INTV president Preston Padden says, "we will not see must-carry legislated in this session of Congress. But we fully expect a must-carry statute will be enacted next session after the Fairness Doctrine issue is behind us."

The must-carry issue, three years after it might have ceased to be an issue, has become more heated than ever. The broadcast and cable industries, while making efforts to work together, are as divided as ever. As the FCC data arrives to finally mark empirical parameters, it becomes clear that on the floors of Congress next session, the debates on must-carry will be must-see. ●

Frank Lovece is a New York free-lance writer.

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The New TV Viewer

In a major new study on TV viewing habits, *Channels* discovers that today's audience is a highly critical, highly mobile lot, but plagued by the same old ambivalence toward the medium.

How people watch television has been making news since the flush-o-meter days of *I Love Lucy*. Back then, much was made of the water-pressure drop that occurred in cities across the country during commercial breaks on the show. Today, people are still looking for relief during commercials, but they're just as likely to head out, via remote control, for MTV or CNN or the third UHF indie in town. Whether they come back and stay for awhile or decide to cast their eyes on another program is anybody's guess.

In an effort to gain a better understanding of just how people watch television and of their attitudes toward the medium, *Channels* commissioned an exhaustive and unprecedented examination of those matters. We asked viewers how often they switch channels and where they go when they do. We asked them how they find out what's on (*TV Guide* and newspapers' TV supplements, primarily), whether

they work at other tasks when watching TV (women do, frequently) and whether buying from a home-shopping channel affects their in-store purchases (it does, negatively).

In all, more than 7,800 phone calls were made by the Frank N. Magid Associates research company, and in-depth focus groups were conducted in a variety of locations around the country. In the end, our national telephone sample netted 650 qualified respondents who were willing to answer our questions, interviews that took on average 33 minutes to complete. The sample was designed to be representative of the geographic and demographic characteristics of continental U.S. households. To qualify, respondents had to be age 18 or older and have a working TV set in their home. They could not have anyone living in their household employed by a television station, advertising agency, newspaper, cable TV company or market-research firm. The interviews were conducted between June 1 and June 5 of this year.

PETER AINSLIE



ILLUSTRATIONS BY ROBERT PIZZO

Confronting A Nation of Grazers

Searching for greener pastures in programming by flipping through the dial—or grazing—is America's new way of watching TV.

BY PETER AINSLIE

What is cable TV for if you don't keep changing the channels?

—Russell Baker

Did anybody in America miss Russell Baker's column on July 16, 1986? The reason for asking is that somehow, somewhere, millions of American television viewers have learned to watch the tube in just that fashion. Restive, fickle, quick to judge, alternately demanding or preoccupied, hard to please, even harder to hold onto—people talk about television as if they were locked into a bad marriage with it, forever discontent yet unable to let go. The truth is, they love it, watch it all the time, buy America's largest-circulation magazine (*TV Guide*) to read about it and find out what's on. Then, armed with a remote-control device and the galaxy of programming options cable has wrought, the viewers settle in for "grazing:" changing channels like never before—out of boredom, out of interest, out of an unwavering optimism that there are greener pastures elsewhere—flipping through the dial in search of: Who knows what?

They say they want more "educational" programs and claim to love The Discovery Channel, but the history of television ratings doesn't exactly bear them out. Some viewers have found they can watch two, even three programs at once (see chart), and have in the process introduced a new element of strife into domestic life. And into the lives of programmers and advertisers.

Zapping—changing from one channel to another to sidestep a commercial—was bad enough. Then came zipping—fast-forwarding VCRs past commer-

cial during playback. Now viewers are using their ubiquitous remote controls, presently in the TV rooms of some 66 million American homes, to play program judge, jury and executioner. And they are exercising that power in growing numbers, one result being that watching television—not programs—has become a form of entertainment in itself.

That viewers are grazing is one of the major findings in a new national survey of viewer attitudes and TV viewing habits commissioned by *Channels*. In addition to examining the nature of the grazing phenomenon, our wide-ranging survey uncovered the following:

- It is still a network world. When viewers were asked which stations they stop at while they're looking for something to watch, six in ten named one of

the Big Three networks. In fact, in virtually every question we asked about station preference, the networks were mentioned first (see chart).

- Cable's popularity continues to grow. The vast majority of viewers who have cable are more satisfied with what's on TV than they were before they had cable. Almost half the viewers who have cable say that cable channels are better than noncable channels, and more than a third of cable subscribers say cable channels are better than the broadcast networks.

- Although some viewers graze simply because they enjoy it, in general grazing appears to be a measure of dissatisfaction among viewers. Boredom, as well as concern that they're missing a better program elsewhere, were viewers' primary motivations for grazing. Furthermore, almost half the grazers said they enjoyed TV less when they were flipping through the channels versus watching a single program.

- Almost a quarter of the viewers who use their remote controls do so in order to follow more than one program at a time. More than half of younger viewers (18 to 34) say they regularly watch two or more shows at once, while about 20 percent say they can watch three or more programs at once. Based on focus-group discussions and interviews, it is clear that men graze more than women

NUMBER OF CHANNELS USUALLY WATCHED— MEANS

Total mention	8.2 channels
Male	8.5 channels
Female	7.8 channels
18-24	8.8 channels
25-34	10.0 channels
35-49	8.3 channels
50-64	7.2 channels
65+	5.7 channels
\$30,000 or less	7.2 channels
\$30,000 or more	9.7 channels
Northeast	10.0 channels
North Central	8.2 channels
South	7.7 channels
West	7.3 channels
Light daily TV viewing	7.7 channels
Medium daily TV viewing	8.9 channels
Heavy daily TV viewing	8.6 channels
Owens VCR	8.9 channels
Does not own VCR	6.8 channels
Has basic cable	11.1 channels
Does not have basic cable	4.9 channels
Has remote	9.1 channels
Does not have remote	5.5 channels
Uses remote frequently	10.1 channels
Uses remote occasionally	7.4 channels
Uses remote rarely	6.4 channels

and enjoy it significantly more.

- Viewers consistently underestimate how much the TV set is turned on in their homes. Our respondents say the average is five-and-a-half hours daily, whether anyone is watching or not—well below the Nielsen number of seven-plus hours daily.

- In spite of the growing options, viewers tune to only a few channels. Those with cable watch, on a regular basis, an average of 11 channels, compared with only five for those without cable (see chart).

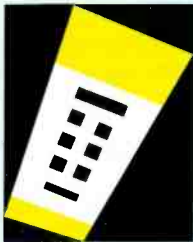
- Despite the negative connotations in much of the grazing that goes on, and

despite the vocal criticism of television, there is an underlying affinity for the medium. Many more viewers feel that TV has been a positive influence in their lives than believe they would have been better off without it (see chart).

GRAZING

Two innovations are behind the emergence of this new form of television behavior: the remote control (see box) and cable television. Our research shows that 75 percent of TV households have a remote control for either their TV or VCR, and that 54 percent have cable. Some 46 percent have both. It is apparently an irresistible combination—and

The Remotest Idea



It won't zap away all of life's unpleasantness, as Chance, the lead character in Jerzy Kosinski's darkly comic film *Being There*, attempted to do. But with the

zapper—the clicker-thingy, the little black box, the damn remote (as in, where's the damn remote?)—viewers can roam freely over TV's electronic landscape, zapping out commercials, checking out music videos, news headlines, sports scores or three minutes of *Miami Vice* by way of *Morton Downey Jr.*, in the process driving advertising men, television programmers and audience-measurement executives around the bend. No one has been killed yet in an argument over a zapper, but there is bickering aplenty among roommates, couples and families—anyone who stands in the way of supremacy over the television universe.

TV viewing has changed greatly since Zenith's Robert Adler invented the remote control and Zenith introduced it in 1955. Those early devices were far from perfect. The first one was nothing much more than a highly directed flashlight that activated a photo cell in the TV, but buyers found that sunlight and other stray light beams could set off an involuntary round of grazing. Another model, which worked on radio waves, tended to change channels at the neighbor's

house as well, and it never really emerged from the laboratory. The next one to go to market worked on ultrasonic tones, but it soon became apparent that it could be triggered by a ringing phone or even a clanking dog chain.

Adler recalls that his boss at Zenith wanted the device to eliminate commercials, which he felt were destroying television. The *Channels* survey shows that 34 percent of viewers with remotes do just that: they switch channels at least half the time when a commercial comes on.

Remotes have come a long way since 1955. Ultrasonic tones have been replaced by infrared beams and there are a variety of such devices on the market, including an amplifier that enables viewers to use the remote without aiming it or even lifting it from their laps. Brand-specific remotes work only for the TV or VCR they come with, but universal remotes can be taught to work with any remote-equipped TV or VCR. Skipping out on commercials is but one of their many skills. Equipped with as many as 50 tiny buttons, they can be used to dim lights, regulate kitchen appliances or thermostats, skip tracks on a CD player or adjust the tone controls on an amplifier. The *Channels* survey found that at least 66 million households have remotes, but even that figure doesn't include the simplest of them all: a cable box on a long wire. How many of those are out there, no one knows.

MICHAEL BURGI



In a 1985 British study, Oxford University research psychologist Dr. Peter Collett put video cameras in TV sets and found that 65 percent of the time...



Viewers did other things when the set was on...



Like reading or arguing about what to watch...



And tussling over who operates the remote control.

PHOTOGRAPHS COURTESY OF BROTTIE LISTENER



One viewer made coffee after a coffee ad aired...



And others actually watched programs carefully...



While women tended to combine TV with chores.

an adman's and programmer's nightmare: Only 16 percent of that group say they rarely use their remote. Of the more than 80 percent who use it sometimes or frequently, almost half of them say they change channels during programs (see chart). While viewers 50 or older are less likely to do so, 60 percent of the 18-to-24 group say they graze. (Even in noncable homes, we found the remote was used to change channels during programs almost half the time.)

Why do viewers graze? Boredom with what they're watching is the most frequent answer, given by almost 30 percent of those who change channels

NUMBER OF PROGRAMS ABLE TO FOLLOW AT THE SAME TIME

(Based on those who at least sometimes use their remote control)

	Total	Sex		Age				
		Male	Female	18-24	25-34	35-49	50-64	65+
One	50.3%	50.5%	50.0%	35.5%	49.1%	54.4%	56.0%	54.0%
Two	24.5%	27.3%	21.8%	46.8%	21.8%	21.4%	16.0%	22.0%
Three or more	13.3%	14.6%	11.9%	17.7%	20.9%	14.6%	4.0%	2.0%
DK/NA	12.0%	7.6%	16.3%	.0%	8.2%	9.7%	24.0%	22.0%

STATIONS DISCOVERED

(Based on those who are watching some they rarely or never watched)

	Total Mention	Sex		Age			
		Male	Female	18-24	25-34	35-49	50-64
Public TV—PBS	11.9%	14.8%	9.6%	3.8%	16.3%	2.9%	28.6%
The Discovery Channel	10.4%	11.5%	9.6%	.0%	7.0%	20.6%	19.0%
WTBS—The SuperStation .	6.7%	9.8%	4.1%	7.7%	11.6%	2.9%	.0%
Arts and Entertainment Network	6.7%	8.2%	5.5%	3.8%	9.3%	2.9%	9.5%
Nickelodeon	6.0%	9.8%	2.7%	3.8%	9.3%	2.9%	4.8%
ESPN—The Sports Channel	6.0%	4.9%	6.8%	.0%	9.3%	8.8%	.0%
CNN—Cable News Network	5.2%	3.3%	6.8%	.0%	9.3%	5.9%	4.8%
USA Network	4.5%	6.6%	2.7%	7.7%	7.0%	2.9%	.0%
The Weather Channel	4.5%	4.9%	4.1%	.0%	2.3%	5.9%	14.3%
WGN—The Chicago Station	3.7%	4.9%	2.7%	3.8%	4.7%	2.9%	.0%
CBN—The Christian Broadcasting Network	3.7%	3.3%	4.1%	.0%	4.7%	5.9%	4.8%
Fox	3.7%	3.3%	4.1%	7.7%	4.7%	.0%	.0%
CNN Headline News	3.0%	4.9%	1.4%	3.8%	.0%	2.9%	9.5%
HBO—Home Box Office	3.0%	4.9%	1.4%	3.8%	4.7%	.0%	.0%
MTV	3.0%	3.3%	2.7%	3.8%	4.7%	2.9%	.0%
Home Shopping Network	3.0%	1.6%	4.1%	3.8%	2.3%	2.9%	4.8%

during a show. But the second-most-popular response—to ensure that they're not missing a better program elsewhere—amounts to two sides of the same coin. About a quarter of the viewers say they switch to avoid commercials, while 11 percent do so to keep track of more than one program. By combining the first two groups with those who change channels in order to follow more than one program, it is evident that almost two-thirds of the channel-changing during programs is a result of insufficient viewer interest in what they're watching—that is to say, boring programs (see chart).

One conclusion: Inadequate programming is clearly the greatest tune-out factor, not commercials. Another: Grazing is only likely to grow. While viewers age 50 or over exhibit much more traditional patterns of television viewing, those 18 to 34 years old—the demographic most coveted by advertisers—are developing quite a different approach, and there is no reason to think their behavior will change as they age.

Where do grazers go when they leave a channel? Some 39 percent say they flip through all the channels, while more than half say they check out only specific, predetermined channels. Once

again, the real difference in behavior is by age. Around half of the 18-to-24-year-olds flip through all the channels, while the majority of 35-and-over viewers tend to flip to predetermined channels. Slightly fewer than half say they find another program and stay with it to the end. But 45 percent say they continue to switch channels. And when we asked viewers what makes them stop grazing, only two answers were given with any frequency: visual impact—something unusual catches their eye—or they see something that is familiar to them.

About a third of the grazers say their optimism has paid off, that they actually have discovered new programming since getting a remote-control device. Cable, naturally, is the big winner here. Although public television is the most frequently mentioned discovery, that may be due in part to the halo effect, whereby viewers claim to watch more high-brow TV than they actually do. Cable's Discovery Channel, superstation TBS, the Arts and Entertainment Network and 17 other cable services round out the top 25 (see chart).

Almost 40 percent of the grazers say that at least half of the time when they sit down to watch television, they flip through all the channels. Men are more likely to do this than women, and younger viewers are significantly more likely to do so than viewers 50 or older. The 18-to-24s graze through the channels almost a third of the time when they sit down in front of a TV set, while those 50 and older do so only about 5 percent of the time. Cable viewers are also more likely to graze than noncable viewers.

A NETWORK WORLD

When we asked viewers which channels they particularly liked to watch, almost 80 percent of the time they named one of the Big Three networks first, with pub-

lic television, Home Box Office and ESPN following, in that order. (However, in our focus groups, viewers almost always referred to the networks by the channel numbers that carry them locally, raising questions about whether they know which network is which.) Some 65 percent of our respondents also name one of the Big Three as the channel they turn to first when they sit down to watch television. Among the networks, ABC is attracting the highest

Older viewers watch the old-fashioned way—one show at a time—but 18-34s take in two shows at once, or graze for the fun of it.

number of 18 to 34 year olds, though NBC is close behind. Only 20 percent of that desirable demographic group name CBS as a network they particularly enjoy, while 37 percent of the 65s and over name CBS first, more than either of the other two networks. According to our research, CBS is also deficient in delivering viewers with \$30,000-plus incomes. Only 19 percent of \$30,000-plus earners name CBS as a network they particularly enjoy, while 23 percent name NBC and 25 percent name ABC.

CABLE'S POPULARITY

Cable television shows growing acceptance and popularity in our survey. Among cable subscribers with incomes above \$30,000, 25 percent say that almost all their television viewing is de-

voted to cable channels. And 31 percent of all cable subscribers we interviewed claim to spend at least half their viewing hours with cable. More than 80 percent of subscribers agree with the statement that they are more satisfied with television since getting cable, while 47 percent agree that cable channels are better than noncable channels. In fact, 37 percent of them agree that cable channels are better than the networks (although 49 percent disagree with that statement).

SATISFACTION LEVELS WITH TELEVISION

Our researchers probed the issue of viewers' satisfaction with television in a number of ways, and, consistent with a variety of studies that have examined that question over the years and found television wanting (see box), we found plenty of dissatisfaction. One measure of it is how grazers feel about the act of grazing—whether they enjoy TV more, less or about the same when flipping through the channels compared with staying with one program. Some 48 percent say they enjoy it less; 14 percent say more; and 27 percent say about as much (11 percent simply say they don't know). More than half of women viewers (who are often forced to graze by their spouses or children) and more than half of viewers 25 to 49 say they enjoy TV less while grazing. Among viewers 18 to 24, grazing is less likely a measure of dissatisfaction. Almost 20 percent of them say they enjoy TV more while grazing, while only 31 percent of them say they enjoy it less (see chart).

When asked if there are more or fewer good programs to watch compared with five years ago, 52 percent of our respondents say fewer, while only 30 percent say more. Programmers can take some satisfaction in the fact that younger viewers, 18 to 24, don't see it

TV'S INFLUENCE IN LIFE

	Total	Sex		Age					Income			VCR	
		Male	Female	18-24	25-34	35-49	50-64	65+	\$30,000 Or Less	More Than \$30,000	DK/NA	Yes	No
Positive influence ..	64.5%	66.8%	62.2%	62.2%	70.4%	64.1%	66.1%	55.9%	62.0%	69.3%	56.7%	69.0%	55.5%
Better off without it ..	22.0%	19.1%	24.8%	24.5%	23.3%	24.1%	18.2%	18.6%	24.0%	19.6%	22.4%	19.4%	27.1%
DK/NA	13.5%	14.1%	13.0%	13.3%	6.3%	11.8%	15.7%	25.5%	14.1%	11.1%	20.9%	11.6%	17.4%

In Search of Greener Pastures



“Ball two/I love you, I’ve always loved you/Call this 800 number for your free, no-obligation brochure/Strike one, two-and-one/Freeze or die!/Gilligan, what

a mess. And it’s all your fault/That ball is outahere!”

No, it’s not R2D2 gone haywire but a typical television evening for millions of Americans. It’s the grazing phenomenon, and for some dedicated television viewers, it is becoming a way of life. “When I turn on the set I start with Channel 1 and go one by one to Channel 37, then back again,” explains grazer Jeremy Jacob, a New York public-relations executive. “It’s the only way to watch TV.”

People frequently graze because they are impatient with what they see on their television screen, but others just want the most from the time they spend watching TV. Like more than half her age group, 18-year-old Jeanette Bonilla from Coppers Cove, Texas, likes to watch more than one program at a time. “It’s an art to catch just enough of different story lines to follow all of them,” she says proudly. “My parents can’t take it. I usually end up alone in front of the television.”

Steve LaCanne, a counselor in Minneapolis, grazes out of frustration: “Plots are so boring, so predictable. It’s much more of a challenge to follow more than one, and do some comparative viewing, you might say.”

Sporting events probably offer the most fertile territory for grazing. “Baseball is a half-watching kind of experience,” explains Keith Barnes, a project director at a New York research firm. “Remote control is obviously something I’ve been waiting for all my life. I can watch three games at once and never miss a pitch.”

Many grazers are actually ad-zappers in disguise. Georgia Clements, an Atlanta realtor, grazes in order to amuse herself during commercials, often switching to VH-1 until she thinks the advertisement is over. Orville Andres, a retired executive from Indian-

apolis, is a prudent grazer. “I have my idea of what I want to look at,” he explains. “If it doesn’t meet my specifications, I flip through the stations. If I still can’t find anything to watch after five or ten minutes, I turn the set off.”

Committed grazers scoff at such a lack of resolve. They insist that grazing relaxes them, that the rapid machine gun of sound and image, while it might give their housemates a headache, helps them unwind from a hard day. “It allows me to frame out,” says Steve LaCanne.

But one person’s grazing is another person’s indigestion. Connecticut environmental lawyer Bruce Adler admits that when his wife grazes, it drives him crazy. “I think it comes from a desire to watch television rather than a particular program, wanting to be entertained by the medium rather than by the message.” Keith Barnes has a different problem. In deference to his wife, he tries to graze when she’s asleep. “But the

commercials are so unbelievably loud in our small apartment, they wake her up,” he says.

For the most committed grazer, grazerism is an ideology. “I’m one of those who believe the television should be on all the time,” says Jeremy Jacob. “If something important happens, I’m going to be the first to know. Reagan was shot at 2:25 on a weekday afternoon. I know because I had just flipped to *Get Smart*. I never did find out how that episode ended.”

Jacob’s wife, Sandra, scoffs at such a practical explanation for grazeritis. “Jeremy comes home and immediately turns on the TV,” she explains. “He lies on the couch and plays the piano on the cable box. Every second it’s switchy-switchy. It drives me crazy. It has something to do with a short attention span or hyperactivity. He claims it’s how he relaxes, but it’s very aggressive. I guess he feels in control. Anything he doesn’t like, whammo, it’s gone.”

ADAM SNYDER

MAJOR REASON FOR CHANGING CHANNELS DURING PROGRAMS

(Based on those who change channels during programs)

	Total	Sex		Age				
		Male	Female	18-24	25-34	35-49	50-64	65+
Get bored with the program watching	29.4%	25.7%	33.3%	21.6%	20.3%	25.5%	54.8%	40.0%
Want to make sure that not missing a better program	28.4%	28.7%	28.0%	37.8%	33.9%	27.7%	9.7%	25.0%
To avoid commercials	22.7%	23.7%	21.5%	32.4%	22.0%	19.1%	22.6%	15.0%
Keeping track of more than one program at one time	10.8%	13.9%	7.5%	5.4%	13.6%	12.8%	9.7%	10.0%
Want all the information can get .	4.1%	4.0%	4.3%	2.7%	6.8%	4.3%	3.2%	.0%
Other	2.6%	3.0%	2.2%	.0%	3.4%	4.3%	.0%	5.0%
DK/NA	2.1%	1.0%	3.2%	.0%	.0%	6.4%	.0%	5.0%

that way. They say, by a 46 percent to 42 percent margin, that there are more good programs on television now. The gap is widest among viewers 65 and over. By a 69 percent to 12 percent margin, they say there are fewer good programs now than five years ago.

A few typical comments from respondents who felt there were fewer good programs on today: "In the last five years, programs have gotten too oriented to violence. Five years ago, there were no shows like *Miami Vice* and that type. They were more toned

down. I've been a fan of older TV shows like *Dragnet*, which, compared to *Miami Vice*, is a walk through the park." "Well of course it's just my wishes. I'm kind of from the old school. I'd rather watch a good down-to-earth movie instead of all this bloodshed and blood-curdling murder."

Nighttime soaps and sitcoms were among the program types that our research found viewers enjoying significantly less, while they are enjoying TV sports and talk shows a lot more.

In one final measure of satisfaction,

we asked whether viewers agree that it's always easy to find something good to watch on television—and found that 70 percent of them don't agree. Cable subscribers agree that it's easy in slightly higher proportion than our overall sample, but even among them, two-thirds say it's not always easy.

On the other hand, almost half the viewers interviewed believe that both local and network news efforts have improved in the last five years—indeed, the study confirmed once again that TV is the medium people look to first for in-

I Can't Get No...



The American public's dissatisfaction with television is nothing new, but it's something the industry doesn't like to talk about.

When a 1983 study commissioned by the National Association of Broadcasters revealed that viewers were watching television more but enjoying it less, the Big Three networks, and the NAB, deep-sixed it.

No wonder. The survey found that almost two out of every three Americans (63 percent) believed that television had become dull and repetitive. Only 32 percent said it had a high importance in their lives, down from 41 percent in 1977.

To this day, the NAB blames "faulty methodology" for the full report's never being released. But Jacques de-Suze, president of McHugh and Hoffman, the communications consulting firm that conducted the study, says it was a clear case of killing the messenger. "There was nothing wrong with our methodology. Network pressure killed the study. They didn't care to release the fact that viewers were increasingly dissatisfied with where the networks were taking television."

Other research at the time seemed to confirm the NAB findings. A 1984 study by the Gordon Black Corporation for *USA Today* found that 59 percent of Americans rated regular network entertainment programming as poor or only fair. In a 1983 survey conducted for Westinghouse, only 15 per-

cent of Americans listed watching television as their most enjoyable activity, and only 12 percent said they were satisfied with prime time network programs. And three years earlier, Peter Hart Associates found that two of every three Americans (67 percent) reject the notion that the people who run commercial television have the best interest of the viewer at heart.

The few surveys that have asked the same questions over a number of years also suggest that dissatisfaction is on the rise. In 1960, 28 percent of Americans told Gallup pollsters that watching television was their favorite way of spending an evening. In both 1966 and 1974 that figure jumped to 46 percent, but by 1986 it had dipped to 33 percent.

Survey results also point up a number of inconsistencies. If Americans are so dissatisfied with television, why do they spend an average of seven hours and five minutes per day watching it, as the latest Nielsen survey in-

dicates, and why did almost two out of three people tell the *Channels* surveyors that television is a positive influence in their life? One possible explanation is what survey experts call the "halo effect," whereby viewers put on their halos when asked about their viewing habits, but take them off when they actually sit in front of the TV set.

"People are more likely to say they watch and enjoy a PBS documentary than a network sitcom, no matter what their actual habits," explains Frank Walton, president of New York's Research & Forecasts Inc.

Indeed, a survey conducted last year by the market-research firm Edwards Associates of San Diego confirmed that many Americans are embarrassed about their viewing habits. When asked whether they spend "quality time" watching television, 59 percent initially said they did. In follow-up phone calls, however, 19 percent of them admitted that they had been lying.

ADAM SNYDER

ENJOYMENT OF TV WHEN FLIPPING CHANNELS

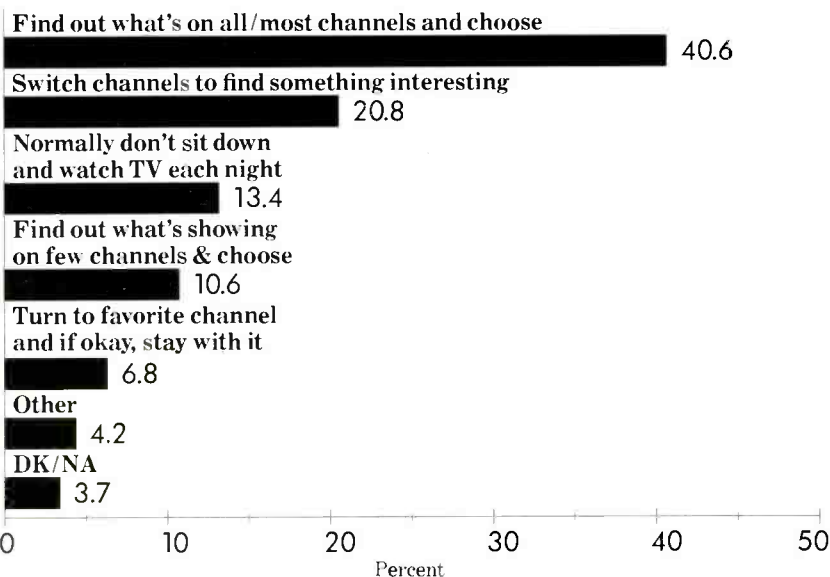
(Based on those who at least sometimes use their remote control)

	Total	Sex		Age				
		Male	Female	18-24	25-34	35-49	50-64	65+
More	14.3%	17.2%	11.4%	19.4%	16.4%	9.7%	12.0%	16.0%
Less	48.0%	41.4%	54.5%	30.6%	52.7%	54.4%	46.7%	48.0%
About as much . . .	27.2%	30.3%	24.3%	45.2%	25.5%	30.1%	20.0%	14.0%
DK/NA . .	10.5%	11.1%	9.9%	4.8%	5.5%	5.8%	21.3%	22.0%

STATIONS OR NETWORKS ENJOYED

	Has Basic Cable TV?	
	Yes	No
NBC	20.9%	33.6%
ABC	20.0%	33.6%
CBS	20.0%	30.8%
Public TV—PBS	12.3%	16.8%
HBO—Home Box Office	13.2%	.0%
ESPN—The Sports Channel	10.2%	.0%
CNN—Cable News Network	9.4%	.0%
The Discovery Channel	5.1%	.9%
WTBS—The SuperStation	3.4%	2.3%
Cinemax	4.3%	.0%
Nashville Network	3.8%	.5%
CBN—The Christian Broadcasting Network	2.6%	.0%
Showtime	2.6%	.0%
Fox9%	1.4%

WAY OF SELECTING TV SHOW



formation when a major news event occurs (more than three-quarters say so).

Viewers also exhibited a strong attachment to the medium when we asked about giving up television. More than 40 percent say it would be very difficult for their families to give up TV for a month, and 55 percent say it would be difficult to give it up for six months. Almost two-thirds believe that television has been a positive influence in their lives, while fewer than 25 percent say they'd have been better off without it. And when we asked viewers how much money it would take to get them to stop watching TV, more than a quarter said either a

million dollars or that they would not stop watching TV for any amount of money.

Our survey results raise a number of troubling questions for the television business. What, for example, is the value and meaning of traditional ratings in such a highly mobile viewer environment? What can ad agencies, programmers and the creative community do to better retain viewers? How do networks and stations build loyalties, and how do independent stations build identities with such fickle, demanding viewers? How serious is grazing's implicit

threat to television as an advertising medium? While it's premature to discern clear-cut answers to these questions, once our research was completed and tabulated, *Channels* raised some of these issues with a variety of people prominent in the television industry.

David Poltrack, vice president for the CBS marketing division, ascribes at least some of the high levels of grazing to the changed television environment. Gone are the five-channel homes—three affiliates, an indie and a public station. Today there are 20 channels, and, Poltrack says, "When the viewer turns on the TV at night, he is no longer confronted with a static array of choices. He can't possibly know what all the alternatives are, so you have a process of previewing what's available by going through the dial, and many more decisions being made after the set goes on."

Contributing to the problem is the matter of quicksilver scheduling. During the 1987-88 television season, for example, the programs announced last fall were actually shown in their scheduled slots only 38 percent of the time, having otherwise been replaced or preempted. "So you don't even have a degree of stability within the network environment," says Poltrack. "Even if you became a regular viewer of *Dallas* or *Miami Vice*, the chances are that on a given number of times during the year, even before repeats come on, you'll find that show isn't on. You'll be confronted with a different set of alternatives, and that will cause switching."

Former NBC president Grant Tinker, now head of GTG Productions, likens grazing to a kind of electronic promiscuity. "You could relate it to singles' bars and to the people who hop around from person to person and wind up with a case of television AIDS," says Tinker. "I think the old-fashioned way is best: one woman, one television program. There's nothing that sounds healthy about grazing. It almost sounds like it's reflective of a lot that's wrong with society. It goes to attention span and other things we always thought were built into us and apparently aren't anymore. I think it's a negative, but maybe younger people could make a case for catching on a lot faster."

Tinker acknowledges, however, that inadequate entertainment may be at the root of grazing: "We're not all doing our jobs as well as we must in terms of attractive programming. The joke used to be that when you first got your TV

View from the Ivy Tower



When network executives think of television's Golden Age, they remember the good old days when nobody had remote-control devices, when you

had to cross the room to change the channel. But academics who study television say the good old days are happening right now. After all, grazers are not just sitting there watching anything that comes on the screen; they are making choices. Says Todd Gitlin, a sociologist at the University of California at Berkeley who studies television and is the author of *Inside Prime-Time* and *Watching Television*: "Grazing is the sweet revenge of the underestimated viewer."

People who constantly switch channels are bored with the same old plots and formats, say the academics. "Grazing is an expression of frustration," says Kathryn Montgomery, professor of film and television at UCLA. "With the growth of cable, there was a lot of talk about diversity of programming. But the truth is" Montgomery says, "that with more channels, we got more stale reruns. Even PBS is showing *Leave it to Beaver* and *Lawrence Welk*."

"Grazing by definition is a sign of dissatisfaction," says James Webster,

an associate professor of communications at Northwestern University who studies audience research. "Viewers know what is going to happen, and they wonder what they're missing on some other channel."

"Television has created this new restlessness among viewers," observes author E. Ann Kaplan (*Rocking Around the Clock*), director of the Humanities Institute at the State University of New York at Stonybrook. "The music-video format—a beginning, a middle, no particular end, thus no need to watch the whole thing—is popping up in network commercials and feeding the grazing habit. Even television news has played a role; no area is too remote for a satellite uplink. Television news has shown us almost everything. By contrast, the average prime time show is banal."

Grazing, of course, is a direct challenge to networks and programmers who must hold onto audiences long enough to feed them commercials. Some academics worry that quality will worsen as programmers try to cope. "We may see a further blurring of the distinctions between commercials and programs," suggests Montgomery. "Look at Robert Vaughan's *Discover*, a half-hour commercial for a hair-replacement technique disguised as a cable news show. The Financial News Network also runs paid programming that is almost indistin-

guishable from their business news. TV may also resort to the type of product placement you see in movies, like the Miller beer plug in *Bull Durham*."

However they try to counter grazing, programmers will be hard-pressed to eliminate it, since grazing is not just a vote against commercials or boring shows but a form of entertainment in itself. Along with computers and video games, the remote-control device has helped produce a new, post-modern television viewer, these researchers say, an interactive player who programs his own, constantly changing television menu. Diana Meehan, a communications professor at the University of Southern California, notes that "grazers do not watch television logically, the way they read books. Instead, channel switching is a way of making up your own mosaic of images." Like tabloid readers who skim the headlines and read a few stories, she says, grazers scan channels, stopping here and there when they see something interesting. Entertaining though grazing may be, however, Gitlin and other educators worry that it is still a discontinuous, and essentially mindless, intellectual activity. Says he: "Grazing may be better than staring inertly at television. But if watching any one show for an hour is a waste of time, is watching several for five minutes apiece better?"

JANICE CASTRO

CHANGE CHANNELS DURING PROGRAMS?

(Based on those who at least sometimes use their remote control)

	Total	Sex		Age					Income More Than \$30,000 Or Less	Has Basic Cable TV?		
		Male	Female	18-24	25-34	35-49	50-64	65+		Yes	No	
Yes	48.5%	51.0%	46.0%	59.7%	53.6%	45.6%	41.3%	40.0%	50.3%	46.9%	49.6%	46.4%
No	50.3%	48.5%	52.0%	40.3%	43.6%	53.4%	57.3%	60.0%	48.5%	52.0%	49.6%	51.4%
DK/NA	1.3%	.5%	2.0%	.0%	2.7%	1.0%	1.3%	.0%	1.2%	1.0%	.8%	2.1%

set, you'd watch the test pattern. And then you got a little more selective all the time." Grazing is perhaps just a logical extension of that selectivity, and not necessarily all bad news. "It was only a few years ago that when CBS put on *60 Minutes*, everybody watched it and then they sat there slavishly on CBS for some pretty indifferent programs. When I first got back to NBC, it used to make us crazy that we couldn't get anybody to change channels. And now the technology and shorter attention spans and perhaps the boredom factor are causing the audience to be highly mobile. It behooves us therefore to make better and more appealing programs, but it's a tough assignment."

The advertising community seems to have mixed reactions to the birth of the remote-controlled grazer. Media consultant Paul Bortz of Denver's Bortz & Company makes a pretty good argument that it isn't necessarily bad news, that it doesn't necessarily undermine TV's efficiency as an advertising medium. "It's analogous to what happens in print," says Bortz. "Readers flip and skip around and scan a page and move on and come back to an area. And even in that environment, magazines are a very high cost-per-thousand medium. I don't see a threat at all in terms of TV's advertising effectiveness. It just further brings home the fact that, if anything, agencies are buying TV on too much of a measurement basis. Grazing says 'Hey, maybe measurements of viewing aren't going to be the proper proxy for effectiveness. Maybe we have to look at how advertising moves goods.'"

Knowing that grazers are more often motivated by their boredom with programs than a desire to avoid commercials, Bortz concludes that the creative departments on Madison Avenue are doing their job, but that the media-buying side may not be.

Not everyone at ad agencies would disagree. Peter Kim, senior v.p. and executive director of J. Walter Thompson's consumer behavior department, reached a similar conclusion after researching the grazing issue and coming up with results that the *Channels* survey has reconfirmed. "Our basic finding was that people were really flipping because they were developing new ways of watching TV," says Kim. "The largest reason for flipping was to watch multiple programs at the same time. People would tune in one channel and just go

through the dial. We also found a segment that would watch two programs simultaneously, switching when they got bored or when a commercial came on. It wasn't so much a build-up of negative attitudes toward commercials as much as people were bored and looking for constant entertainment."

One lesson the agency learned, says Kim, was to examine its approach to media-buying, exploring road-blocking, cable buys and other diversification. The other was to realize the need for more compelling advertising.

To that end the firm adopted a corollary motto for future projects: create hard-sell advertising that people love to

.....
'You gotta have 14 car chases per reel; gotta have jeopardy in every scene. We'll start getting notes like that from the network.'

watch. But in practical terms, the results have been interesting. Most Thompson TV advertising combines two distinct approaches: getting the relevant product information across, as in traditional packaged-goods advertising; and doing so with a strong dose of entertainment and without talking down to the audience. Today's viewer is much more inclined toward what Buena Vista research chief Michael Mellon calls "tele-sophistication," and Kim maintains that "you don't need to show them the same shot for ten seconds."

The fact that people are so agile at reading the language of film, and that ad agencies have figured this out and are treating viewers accordingly, perhaps explains why viewers tend to treat advertising with more respect than they do programming these days. The few programs that can be counted on for imaginative cinematography and subtler dialogue—*St. Elsewhere*, *thirtysomething*, *The Wonder Years*—have also proven themselves to be relatively resistant to grazing.

Poltrack calls it "empathy-based programming," that is, shows designed to reflect the lives of the viewers and provoke empathetic relationships with the

characters. "The higher that level of viewer involvement," says Poltrack, "the more secure you are against the grazing effect." That's also why he isn't in the least put off by the two-at-a-time syndrome: "That level of intensity, watching two shows at once, is fabulous," he says. "And as long as we keep our breaks at the same time, you can't run away from the commercials."

The next, presumably irresistible step for television will no doubt be to quantify what it is that viewers will sit still for and give them more of it. R.D. Percy & Company, whose job it is to measure commercial audiences, whose recent examination of grazing tends to support the findings of the *Channels* survey, has already developed some theories on grazer-resistant advertising (commercial units nested inside an information piece, particularly when they're run during sports, says Percy research v.p. Paul Donato). But quantifying what imbues a program with holding power is another matter entirely, and one that strikes terror in the hearts of Hollywood's production community. "I can see it now," says *Cagney & Lacey* producer Barney Rosenzweig. "Gotta have 14 car chases per reel; gotta have jeopardy in every scene. We'll start getting notes like that from the network." The danger, he adds, is that "we'll go back to McLuhan—the medium is the message. The danger is that somebody will say, 'What we have to do is make a show that so captures the eye that we'll have all style over substance.' If we start to make shows to suit that kind of research, then I'll be really worried for us."

Paul Bortz already is. "It definitely is no longer business as usual," says the Denver consultant. "It is no longer a world where the game is to come up with the least objectionable programming. That was a pretty valid concept in the sixties and seventies. But it's no longer true for most households. The old formulas don't hold anymore. Programmers have to do a lot better than the least objectionable programming. The game shifts to a complicated understanding of the marketplace, in which viewers must be treated differently." ●

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Hey, Big Spender!

by Neal Koch

Despite complaints, deficits help majors by creating roadblocks for new entrants.



New World picked up *Crime Story* and its big deficits, but the firm is struggling.

Forget the public bellyaching over costs. Skeptics might argue that Hollywood's majors like big deficits. Keeping networks used to buying shows with expensive production values provides a barrier to entry to the market, limiting competition. It's an heretical notion in the land of make-believe, but it is possible to apply classic economic theory to even as strange a business as television production.

Even within this argument, the studios still compete—but only with each other. To finance deficits, smaller producers have to turn to banks or other investors rather than huge syndication revenues from vast libraries of old shows, such as MCA's *Columbo*, which still runs around the country. Consider some that have tried to compete without major studio resources. *St. Elsewhere* was pulled from NBC by MTM Entertainment because of deficits; after abandoning a bid to go public, MTM sold itself recently to Britain's Television South. New World Entertainment tried some risky ventures, including buying into big budgets by picking up *Crime Story* after even MCA passed on it because of projected deficits; now, finan-

cially squeezed, New World is retrenching. Although MCA suffered through the big-budget *Private Eye*, it hardly faces that degree of significant balance-sheet difficulty.

Of course, the high-cost strategy works for some producers. Stephen J. Cannell is still a network player but says he couldn't do it in this country; only the economics of producing in Canada allow him to tough it out.

If the skepticism about deficits is correct, then a studio's most important role in today's Hollywood is as a banker. Brian Walton, executive director of the Writers Guild of America, West, likens a studio complaining about deficits to a bank complaining that people owe it money.

Still, what about non-prime time ventures, like MCA's syndicated late-night show *The Street*, budgeted near \$50,000 an episode? The response might be that large companies often look to segment markets and dominate categories using different strategies. Perhaps late-night shows can be made so cheaply that they only require clearance in a few markets to survive.

Publicly, top studio officials impa-

tiently dismiss the entire notion of planned deficits as even one component of their strategies. One former exec agreed: "Studios don't think that clearly." Moreover, "That smacks of conspiracy," says Harold Vogel, an industry analyst for Merrill Lynch. "There is a barrier to entry because of the costs and deficits. But anyone who's been around the industry long knows the studios can't agree on anything."

Indeed, conspiracy theories rarely hold up, especially in complex issues like those involving barriers to entry. But, offers David Waterman, who teaches media economics at the University of Southern California, "I'm sure the studios don't mind it. Some of them are probably quite aware of it." They're certainly aware of other barriers that give them an edge. The financial interest and syndication rules limit network ownership of programs they might produce or syndicate, severely restricting large potential competitors. Studios fear the coming loosening of the rules.

Then there are the personal relationships so valuable in the production business. They can determine which deals get done in Hollywood, especially within a small circle of business-affairs executives who negotiate for shows and talent at the networks and studios. Television remains somewhat oligopolistic at both the network and studio levels. Many negotiators leave networks for studio jobs and have a leg up in finding work and closing deals. "We all know each other," confides a studio official. "We take care of each other."

Any lack of strategic consensus on the part of studio execs, however, does not necessarily alter the result. To be a major, long-term player in prime time TV production requires a great deal of capital and cash flow; that is, the ability to handle huge deficits for years. If you're lucky enough to make it over that hurdle, you can relax in some comfort, even as you tussle with tough financial issues. Odds are you'll have to be looking only so far over your shoulder. ●

Opening up Omaha

by Kirsten Beck

Omaha's new indie arrived with a splash and, in two years, altered the market.

In the summer of 1986, when Gary R. Nielsen, general manager of Omaha's KPTM, called Radio Shack to order half a million UHF antennas, he expected to get a price break on such a large order. Instead, he found there weren't that many UHF antennas for sale in the entire country. As it turned out, he had to go all the way to Taiwan to order his loops. That's the kind of unexpected surprise that can happen when one of the last major all-VHF markets in the country gets its first UHF independent station.

Omaha television had lived comfortably for some 40 years with only the three network-affiliated stations until 1979, when a resolute Harry J. Pappas, the owner of Pappas Telecasting and its two independent stations (KMPH in Fresno/Visalia and WHNS in Greenville/Spartanburg/Asheville) applied to introduce the first indie into this 70th-ranked ADI. It took seven years of court proceedings, but Pappas finally secured the go-ahead in February of 1986. He and Gary Nielsen, who had previously been general manager at Omaha's ABC affiliate, along with nine staff members readied the new station for sign-on in a record two months.

Pappas—certain he would triumph in the end—had already constructed the tallest transmitting tower law would allow to assure that the KPTM signal



would reach from Omaha to the state capital of Lincoln, and would cover substantial parts of both Nebraska and Iowa. Once he got the official okay, he fired it up with a whopping 240 kilowatts of power (giving the station an effective radiated power of 5 million watts) and signed on April 7, 1986, with an impressive stockpile of programming and a first-rate promotion plan.

For a relative newcomer, KPTM has made a considerable impression. It scored a 9 share from sign on to sign off in its first ratings period, according to both Arbitron and Nielsen, has risen as high as a 13 and measured a 12 in Arbitron's May 1988 book.

Pappas says that before his new station signed on, the Omaha affiliates had circulated studies stating that a 4, 5 or 6 share would be the best KPTM could

achieve. "We, of course, think they did us a favor," he says. "It made our performance look all the more pleasing to our advertisers when they saw us sign on with a 9 and, in the following July, go up to a 12."

The station owner is also beaming over his revenues. Pappas says the station reached the black "operationally" (excluding initial capital investment and the extraordinary costs of kickoff promotional efforts) within its first nine months. He expects to have earned back his entire investment, including interest, by the end of 1992. By the close of 1987, Pappas says, the station was approximately two years ahead of the schedule laid out in his strategic plan—KPTM had already achieved the share of market revenues projected for 1989. "This year," he continues, "our share of market revenues put us among the nation's top 10 percent of independents in that category."

Although Pappas declines to discuss figures, he admits that one affiliate's estimate that KPTM has siphoned off between 20 and 22 percent of the ad revenues previously shared by the affiliates is in the "right range." He further concedes that based on total ad-revenue estimates of approximately \$40 million for Omaha, pegging KPTM's revenues in the \$8 to \$9 million range is neither "way off the beam" nor "overly optimistic."

The new independent—along with steadily increasing cable and VCR penetration in the market—has caused profound change for Omaha's established broadcasters. Their revenues and profitability have declined, and the nature of programming competition has changed from a battle to win the three-way audience split to increased reliance on delivering defined demographics. KPTM has the affiliates "incredibly shaken up," says Andy Monday, advertising sales manager for Cablerep, Cox Cable Communications' wholly owned Omaha ad-sales subsidiary.

KPTM's vitality turned Omaha from a three- to a four-station market almost

ON-SCREEN IN OMAHA

Market Rank: 70 (Arbitron)
Cable penetration: 55%
VCR penetration: 56%

1986 Net TV Revenues: \$32.2*
1987 Net TV Revenues: \$36.2*
1988 Projected Revenues: \$39.5*

STATION/ OWNER	PRIME TIME AVG. RATING/SHARE**	SIGN-ON TO SIGN-OFF AVG. RATING/SHARE
KETV (ABC) Pulitzer Publishing Co.	10/20	5/20
KMTV (CBS) Lee Enterprises	12/24	5/21
KPTM (IND) Pappas Telecasting	4/9	3/12
WOWT (NBC) Chronicle Broadcasting Co.	13/26	6/23

*Revenue estimates and projections provided by Paul Kagan Associates Inc., Carmel, Calif.
**Monday-Saturday, 7-10 P.M.; Sunday, 6-10 P.M. All ratings, cable and VCR information courtesy of Arbitron, May 1988.

overnight, and the most disturbing result for the affiliates has been the redistribution of revenues, says John Carpenter, general manager of ABC affiliate KETV. A combination of slow market growth and the entry of another well-sold station reduces everyone's revenues, and that "has affected station profitability," he notes.

James H. Smith, who recently returned "to fix" Omaha's NBC affiliate, WOWT, after six years at San Francisco's KRON, admits frankly that his station's profitability "has gone down enormously and is now significantly below industry standards for a station this size." Smith says the station is netting less now than it did in 1980.

Although KPTM is not the sole cause of WOWT's problems, the indie's quick acceptance in the community has certainly contributed to the affiliate's woes. Key to KPTM's success has been the station's commitment to running a first-class operation. "Our objective has been to develop KPTM to excel in all categories," Pappas says. The tall tower and powerful transmitter were only the first steps. The studio is equipped with the best available production equipment, and Pappas contends the same high standards are maintained in the station's sales and programming research, staffing and program acquisition.

The station's programming strategy is typical of an independent: to offer as pure an alternative as possible. "Although we can't be all things to all people, we can come closer than an affiliate can," says Nielsen, "so some people think of us as a sitcom station and some as a movie station."

KPTM is a classic counter-programmer: In the afternoons, when the affiliates run soaps, KPTM offers *Trapper John, M.D.* and *CHiPS*. The CBS and ABC affiliates both agree that KPTM has simply walked away with the kids audience (and its "very lucrative" advertisers) with *The Real Ghostbusters*, *Duck Tales* and *Double Dare* from 3 to 4:30 P.M. (Central time), when the station starts its daily block of five sitcoms. *M*A*S*H* wins the market ratings at 6 P.M. against local news. Even the prime time movie, which ranks fourth in the ratings, outscores two of the three affiliates in the valuable males 18-49 and 25-54 categories.

The station has also had remarkably good success with its ad sales. KPTM's ad-sales strategy rests on two key propositions: no ads will run outside of programs and the number of commercial breaks will be kept below the number permitted by the affiliates.

Reception by Direct Mail

KPTM has become known for its promotional skill. "We like to think we don't leave a lot to chance," says general manager Gary Nielsen, and the station's free antenna and sweepstakes promotion, completed at a total cost of \$750,000 two years ago, is an example of the exquisite detail in which KPTM executes its projects.

In September of 1986, after the station had been on the air for five months and seen its audience share grow from a 9 to a 12, KPTM mailed out over 500,000 free UHF antennas with installation directions, accom-

panied by a \$142,000 sweepstakes package. Participants had to watch KPTM for the winning names during the period when the networks were introducing their new fall seasons. The mailing also included a KPTM program schedule, a three-month movie listing and a three-month coupon promotion involving one of the station's advertisers.

The return rate on the mailing was an unexpectedly high 15 percent, recalls Nielsen with a smile, and Pappas doubts there are many in the region who don't now have UHF antennas. K.B.

KPTM also has targeted potential advertisers who've never used TV before, wooing some 200 new clients onto television. Approximately 16 percent of its revenues come from clients new to television, and Nielsen established a special sales department just for those prospects. This department takes a long-term, "pure consultant" approach, according to Nielsen, and works only with individual clients, not with agencies. "We make an average of four sales calls before we close, getting to know the potential advertisers' businesses." Often, KPTM creates the new client's first commercial, charging as little as \$400 per spot and treating the production as a "loss leader," Nielsen says. "For an advertiser who is spending only \$1,000 for a schedule, a \$150,000 commercial is an impossibility, but KPTM can create a low-cost ad for the client and consider it an investment," Nielsen explains.

Even though KPTM has diverted some 20 percent of the market's total ad revenues into its coffers, Nielsen says his real aim is not simply to eat into the affiliates' pie but to expand the number of TV advertisers in the region. The local newspaper, he says, earns over two-and-a-half times more in ad revenues than does the entire broadcast market. To entice some of the print advertisers onto the screen, KPTM shows small advertisers, who often get lost in the jumble of a newspaper page, how they can dominate the television screen—if only for 30 seconds.

In a gesture that typifies the station's approach, KPTM doesn't stop after it has secured the advertiser commitment, made and aired the commercial and billed the station. Periodically, the station thanks its advertisers on-air in special spots.

Promotion of the station is done with

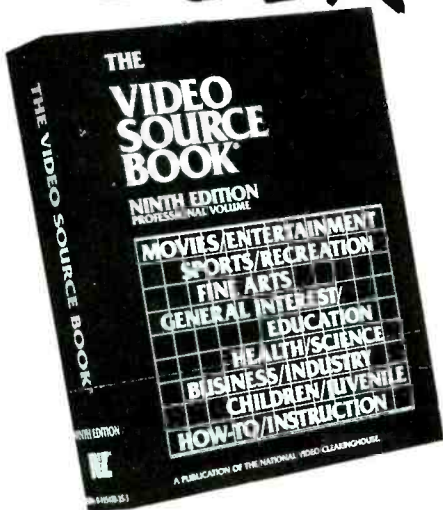
similar polish. Mass distribution of UHF antennas was only the first of a series of interactive KPTM promotions. The station's logo reads, "Channel 42, 'We're your station,'" and viewers are repeatedly encouraged to provide feedback to the station. In 1986, viewers were asked to pick their four favorite movies from a list mailed to them by the station, and over 9,000 ballots were returned. The same question will be posed with a different movie list this fall. A query regarding a change in the starting time for the evening movie resulted in a deluge of more than 650 phone calls a day for a week. (Viewers wanted the time to remain at 7 P.M.)

In response to KPTM's success, Omaha's three affiliates say they are paying more attention to their local news operations—their signatures in the community—while sharpening their efficiency.

Howard Kennedy, general manager of top-rated CBS affiliate KMTV, notes that as a result of market changes, costs must now be held down. "Things have changed since the 1970s, when we were so revenue-driven that we could throw money and people at problems. Now it's a matter of figuring out where you are going to play the quality game and where you are going to save."

It cannot come as good news to these network affiliates that Pappas expects KPTM to follow the pattern set by his Fresno/Visalia station, KMPH, and enter the local news race eventually, after it has increased its audience levels, revenues and rate of profit. In the meantime, says Pappas, "the real challenge for the local affiliates is to light a candle rather than cursing the darkness, and that means finding new TV advertisers, just as KPTM did." ●

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Let the Bidding Begin

by J. Max Robins

Increasingly, when a cable system goes up for sale, the auctioneer's gavel comes down.

If the market for cable systems had a theme song it would be the hit, "Hot Hot Hot." Industry guesstimates are that cable transactions this year will easily top the \$10 billion in deals done in 1987. The majority of systems changing hands this year will most likely do so via some permutation of an auction.

When a cable system is put on the block, it's not exactly Sotheby's as the auctioneer intones "Let the bidding begin." But the motivation behind a cable auction is the same: Get the highest price in the quickest, most efficient manner for the seller.

"It's potentially the most fair way to sell a cable system and, with some qualifications, to get the best price," says Waller Capital president John W. Waller III. "A lot of times you can use the excitement of the deal to make buyers move fast and get a sale without waiting around two or three months."

How a cable system is auctioned off varies—indeed, there seems to be almost as many variations on the form as there are auctions. Sometimes, what's called a multitiered system is employed. Using this method, a property is put on the block, potential buyers make a bid and there's a first cut based on price. Then, at least one round takes place to extract the highest bid.

A permutation of this form is the "Indian Auction," where the broker will go to the lowest bidder, tell him of the highest bid and ask if he'd like to top it to stay in the running. This financial game of leapfrog goes on until there's one player atop the totem pole.

A multitiered approach does have its appeal—theoretically it's a way to bring in all comers and ensure the highest sale price. But there are drawbacks to the method, and, increasingly, cable peddlers are backing away from it. "The multitiered process can keep you dickering around for too long," says Waller. "Financial market conditions can change—it happened last October—and that can affect price."



Waller prefers a "quasi auction," where, save a little finagling at the end, there's one round of bidding among a select, financially qualified number of bidders. That was the method he used to sell Prime Cable's Prince Georges County, Md., cable systems to I. Martin Pompadur's ML Media Opportunity Partners last spring (a deal which is expected to close shortly).

Once Prince Georges was Waller's to sell, his team went into the trenches and in a couple of weeks produced a thorough book on the property, including a purchase agreement. Fifteen to 20 "aggressive buyers" were contacted, and about half submitted bids. Waller had



Waller: An auction raises excitement and prices.

told them time was of the essence—the first to meet his client's price would get the property. Half of the bidders were close. Waller had a hot property and used the time factor to his client's advantage—he told Pompadur that bids had already approached \$200 million.

"I had the book 48 hours and I knew the bidding was going to be around \$200 million—I mean, this isn't exactly deciding to get a haircut," says Pompadur, recalling Waller's call urging him to go the distance. "I said, 'John, what are you trying to do, kill me?' He said, 'look at the cash flow.'" A week after the book went out, Prime and Pompadur were ready to shake hands. With the system fetching \$200 million, more than \$2,700 a subscriber, it seems Waller's quasi auction was effective.

Cable-system auctions aren't always that short and sweet. For example, when Communication Equities Associates auctioned Cable Entertainment's systems, it was brokering multiple holdings owned by different investors—there were many ways the holdings could be parceled off. "When the bids came in, we had people able to buy \$1 million worth of properties, people able to buy \$300 million and plenty in between," says CEA v.p. Donald Russell. "I had to convince some people to drop systems from bids and others to add to theirs. It ended up going in eight parcels."

Between 70 and 80 percent of the systems CEA will broker this year will be auctioned, according to Russell. The firm's philosophy, he adds, has opened up the process to more players from a year or two ago, when CEA preferred a more limited auction. "We used to pick out a handful of players and only show the property to them," he explains. "But it's a much hotter market today. There's more money available. You never know when the crazies, not in a derogatory sense, are going to step up to the plate and say, 'Whatever it costs I'm going to do it.'"

How Much Commercial Appeal?

According to an exclusive *Channels* survey, only one out of five people enjoy watching commercials. And younger and richer people change channels during commercials more than any other group queried.

RESPONSES:

GROUPS:	Watch them, don't enjoy them	Ignore commercials while they're on	Enjoy watching commercials	Leave room when commercial comes on	Change channel when commercial comes on	DK/NA	Raw total
Total	25.7%	22.3%	19.7%	13.7%	10.5%	8.2%	N = 650
Age Groups:							
18-24	22.4	14.3	20.4	17.3	22.4	3.1	N = 98
25-34	24.5	21.4	21.4	15.7	11.9	5.0	N = 159
35-49	30.6	21.2	17.1	12.9	11.2	7.1	N = 170
50-64	25.6	28.9	21.5	11.6	4.6	8.3	N = 121
65+	22.5	25.5	18.6	10.8	2.9	19.6	N = 102
Income:							
\$30,000 or less	27.8	20.1	24.3	12.8	6.4	8.6	N = 313
More than \$30,000	24.4	24.8	15.2	12.2	15.2	7.8	N = 270
DK/NA	20.9	22.4	16.4	23.9	9.0	7.5	N = 67
TV Viewership: (Weekday)							
Light	27.8	24.7	16.7	13.3	10.8	6.8	N = 324
Moderate	23.1	22.6	21.6	14.1	10.6	8.0	N = 199
Heavy	24.6	16.1	23.7	13.6	10.2	11.9	N = 118
VCR Owner:							
Yes	25.7	22.5	17.6	13.7	14.1	6.5	N = 432
No	25.7	22.0	23.9	13.8	3.2	11.5	N = 218

Source: Frank N. Magid Associates Inc.

Top-Rated Basic Cable Shows

For the first quarter of 1988, superstation TBS had the most shows in the top 50. It will be interesting to see how Turner's next cable service, TNT, will affect these rankings.

Program	Network	Date	Rating	Households
1 NFL Pro Bowl	ESPN	2/07	8.5	3,860,000
2 WWF Royal Rumble	USA	1/24	8.2	3,397,000
3 NBA All-Star Saturday	TBS	2/06	7.5	3,308,000
4 Film: <i>The Sacketts</i>	TBS	1/24	5.9	2,545,000
5 Clash of the Champions	TBS	3/27	5.8	2,561,000
6 Film: <i>Operation Petticoat</i>	TBS	3/13	5.5	2,423,000
7 NCAA Basketball: Georgetown vs. LSU	ESPN	3/18	5.4	2,462,000
8 Film: <i>Little Big Man</i>	TBS	3/06	5.4	2,377,000
9 Film: <i>Sons of Katie Elder</i>	TBS	2/21	5.1	2,237,000
10 Film: <i>Man Who Loved Cat Dancing</i>	TBS	1/13	5.1	2,214,000
11 Film: <i>Paint Your Wagon</i>	TBS	1/24	5.1	2,203,000
12 Film: <i>No Time for Sergeants</i>	TBS	3/27	4.9	2,153,000
13 Film: <i>Big Jake</i>	TBS	2/14	4.8	2,143,000
14 Film: <i>Death Wish II</i>	TBS	3/02	4.8	2,104,000
15 Film: <i>Once Upon a Time in the West</i>	TBS	1/31	4.8	2,068,000

Source: Nielsen Media Research data.

★ RATINGS ★

TOP NETWORK SERIES

First 42 weeks of season, Sept. 20, 1987 through July 3, 1988

SERIES/NETWORK	RATING/SHARE
1 The Cosby Show /NBC	25.5/42
2 A Different World /NBC	23.5/38
3 Growing Pains /ABC	22.8/34
4 Cheers /NBC	22.6/36
4 Night Court /NBC	22.6/35
6 Golden Girls /NBC	20.7/37
7 Who's The Boss? /ABC	19.7/32
8 60 Minutes /CBS	19.4/34
9 Murder, She Wrote /CBS	19.0/30
10 The Wonder Years /ABC	18.8/29

TOP BARTER SERIES

First 43 weeks of season, Sept. 6, 1987 through June 26, 1988

SERIES/SYNDICATOR	RATING
1 Wheel of Fortune /King World	16.5
2 Jeopardy! /King World	13.6
3 Universal Pictures Debut Network (movies)/MCA-TV	10.1#
4 Star Trek: The Next Generation /Paramount	9.7#
4 The Oprah Winfrey Show /King World	9.7
6 Embassy Night at the Movies /Embassy*	9.0#
7 TV Net III (movie package)/Viacom	7.7#
7 People's Court /Lorimar Telepictures	7.7#
9 MGM/UA Premiere Network /MGM/UA	7.5#
10 Columbia Night at the Movies /Columbia	7.3#

TOP CABLE NETWORKS

Average ratings/projected households, June 1988

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 WTBS	2.2/981,000	3.2/1,462,000
2 USA	1.1/498,000	1.5/ 694,000
3 ESPN	0.7/348,000	1.1/ 509,000
4 MTV	.7/292,000	.8/ 322,000
5 CNN	.6/259,000	.9/ 434,000
6 CBN	.6/248,000	.5/ 227,000
7 Lifetime	.5/187,000	.9/ 357,000
8 Nashville Network	.4/183,000**	.9/ 385,000
9 Discovery	.4/123,000**	.6/ 214,000
10 Headline News	.3/112,000	.3/ 108,000

#Includes multiple exposures. *Title since changed to Columbia Night at the Movies. Nielsen continues to list both entries.
**9 A.M. to 3 A.M.

Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings.
Source: Nielsen Media Research data

HOME VIDEO

Top Videocassettes/Rentals

June 1988

TITLE/PUBLISHER	% TOP 50*
1 Fatal Attraction/Paramount	7.6
2 Throw Momma.../Orion	6.2
3 Witches of Eastwick/Warner	5.0
4 Untouchables/Paramount	4.8
5 Baby Boom/CBS/Fox	4.0
6 Running Man/Vestron	3.9
7 Fatal Beauty/MGM/UA	3.4
8 Adventures in Babysitting/Touchstone	3.3
9 Overboard/CBS/Fox	2.9
9 Principal/RCA/Columbia	2.9
9 Stakeout/Disney	2.9
12 Princess Bride/Nelson Ent.	2.8
12 Can't Buy Me Love/Touchstone	2.8
14 Innerspace/Warner	2.6
15 Dirty Dancing/Vestron	2.5
16 Someone to Watch Over Me/RCA/Columbia	2.3
17 Beverly Hills Cop II/Paramount	2.1
17 Hope and Glory/Nelson Ent.	2.1
19 Nuts/Warner	1.9
19 No Way Out/HBO	1.9

Top Videocassettes/Sales

June 1988

TITLE/PUBLISHER	% TOP 50*
1 Mickey's Magical World/Disney	5.8
2 Star Trek IV/Paramount	4.3
3 Callanetics/MCA	3.6
4 Jane Fonda's Start Up/Lorimar	3.5
5 Mickey & the Beanstalk/Disney	3.4
6 Jane Fonda's Low-Impact Aerobics/Lorimar	3.3
7 Playmate of the Year 88/HBO	3.2
8 Lady and the Tramp/Disney	3.1
9 Sing Along Songs/Disney	2.8
10 Fatal Attraction/Paramount	2.7
11 Top Gun/Paramount	2.6
12 Automatic Golf/Video Reel	2.5
12 Ducktales: Daredevil Ducks/Disney	2.5
14 Jane Fonda's New Workout/Lorimar	2.4
15 David Bowie: Glass Spider/MPI	2.2
16 Dorf on Golf/J2 Comm.	2.0
17 Madonna: Ciao Italia/Warner	1.9
17 Crocodile Dundee/Paramount	1.9
17 Aliens/CBS/Fox	1.9
20 Ducktales: Fearless.../Disney	1.8

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

THE MAGID NUGGET

Why Subscribe to Cable?

With cable penetration rising steadily, one might wonder why people keep signing up with operators. What are subscribers hoping to get from cable that they can't or don't get from broadcast TV? A Frank N. Magid Associates survey of 1,000 cable homes provides some insight:

- The overwhelming reason (93 percent) for having cable is more and better choice of programming. Nearly 60 percent get it because there are generally fewer commercials, but a third say that is not a reason they signed up.

- Apart from the usual options available on cable (music TV, all-sports programming or movie channels), 27 percent subscribe because they have children or teenagers at home. Twenty-eight percent indicated adult programming as a reason for signing up.

- Cable's original primary function, improved TV reception, chalked up an 82 percent response from subscribers. And lastly, 58 percent feel that cable channels do not cut or edit their programming.

TV Station Sales So Far

Station-sale volume has been healthy in 1988's first half, though it hasn't produced any top-market station sales like Disney's \$320 million buy of KHJ in 1987. BIA president Tom Buono attributes it to the continued combination of big stations into groups and the "different environment" due to changed tax laws.

BUYER	SELLER	PROPERTY	BROKER	PRICE (MILLIONS)
Gannett Co.	Harte-Hanks Communications	WFMY Greensboro, N.C. WTLV Jacksonville, Fla.	None	\$155.0
Tak Communications*	Smith Broadcast Group	WGRZ Buffalo, N.Y.	Howard E. Stark	100.0
King World Productions*	Howard Publications	WIVB Buffalo, N.Y.	Avpro	100.0
Broad Street TV Corp.	Charles Woods et. al.	WTVW Evansville, Ind. KLBK Lubbock, Texas	Cecil Richards	74.1
Capitol Broadcasting Co.	TEL-AM Assoc.	WTTK Kokomo, Ind., WTTV Bloomington, Ind.	None	61.0
Morris Network Inc.	United Broadcasting Corp.	KARK Little Rock, Ark.	Morgon Stonley	60.0
Young Broadcasting Inc.	Texomo Broadcasters Inc.	KLFY Lafayette, La.	R.C. Crisler	51.0
G. Lilly et. al.	Stondord Communications	KSNW Wichita, Kon., KSNC Great Bend, Kan., KSNK McCook, Neb., KSNG Gorden City, Kon.	Sandler & Associates	49.6
Gronite Broadcasting Corp.*	Price Communications	WEEK Peorio, Ill.	Sandler & Associates	33.0

* Proposed deal; subject to approval. Sources: Broadcast Investment Analysts Inc.; Media Business News.

DEALS



Arthur Watson: NBC Sports' Seoul Man

At a time of growing competition, the veteran NBC exec sounds off on the Olympics and the future of TV sports.

NBC Sports president Arthur A. Watson is one of the few television executives facing a happy fall. A 32-year veteran of NBC, Watson is blessed with a trio of events—the Summer Olympics, World Series and Super Bowl—that form the foundation for his network's entire programming schedule. On the eve of the Summer Games, with NBC planning a record 180 hours of coverage beginning this month, Watson shared his views on NBC's Olympics coverage, the new TV sports marketplace and the future of sports rights packages with Channels editors Merrill Brown and J. Max Robins.

The Seoul Olympics

The Olympics, particularly the Summer Olympics for America, is the premiere event for the universe—an event that captures the country and world. This particular Olympics has particular significance in that it is scheduled differently than most, at the start of a fall season. It's even more propitious today with the writers' strike. It's a major coup for NBC. It gives us original programming of the best quality.

Olympic Fears

This time around, as compared to 1980, there is really no downside. We are very well protected financially. There can be no economic deficits for us. The Games definitely will take place and I sense that this one will go off perfectly. Nothing in this life is guaranteed; something could happen. But everyone, domestically and internationally, is confident that this one will take place without a hitch. The North Koreans continue to be a concern. In their world on that pe-

ninsula, they suffer in comparison to the success of the South Koreans and it is beyond an irritant to them. But their allies are the Russians and the Chinese, and both are going to be there and both of them are concerned with their athletes, their citizens in Seoul. They don't want anything to happen to their people, and that helps dramatically.

Is NBC Overdoing It?

The major events within the Summer Olympics are heavily American: track and field, boxing, swimming and gymnastics. The Olympics will be the event that will cover the front page as well as the back page of every newspaper. It's of interest beyond just sports fans.

CBS's \$300 Million Bid for the 1992 Games

We did go after that one aggressively, but within what we considered economic realities. We didn't want an albatross around our neck of \$50 to \$100 million, such as that which unfortunately befell ABC. We felt that a price around \$175 million, plus risk-sharing thereafter, was reasonable for a taped Winter Olympics. ABC, as well, knew that the number had to be in the neighborhood of \$200 million. When someone comes along and decides to over-bid, there's nothing you can do. I feel bad if I lose a competitive bidding process by 5 or 10 percent. But if you lose by that much . . . I just wish them luck.

Longer-Term Risks

That is an obvious concern. It gives false hope to other people. Potentially, it drives up the stakes and I don't think that's good for the future. After you

risk \$50 million on a 17-day event, a la ABC, the next time around you tend to be very cautious. If we all get cautious, rights-holders will suffer.

NBC's Opportunity

Our promotion says "Only on NBC" and will tie the Olympics in with the World Series, the Super Bowl, *Cosby* and any other NBC shows. If we repeat it often enough over the next three to four months, people will become aware that the premiere events are on NBC, and particularly on NBC Sports.

Losing the Rose Bowl to ABC

We didn't lose the Rose Bowl. We gave someone else the opportunity to have the Rose Bowl. We have a very unfavorable contract with two more years to go. We wanted to extend the contract at substantially lower rights fees. They felt that there might be another buyer, one with different criteria, involved with PAC 10 and Big Ten football. We wished them well and told them that they could also include the last two years of our contract. Sometimes you get lucky. We were not anxious to renew at anywhere near those terms. We were suffering losses in the area of \$4 million-plus for three hours.

NBC and Baseball

Baseball is a major staple, if not the major staple along with the NFL, for NBC Sports. We have an excellent working relationship and a reasonable contract with them. We consider ourselves the baseball network. It is a tradition of NBC Sports and we intend to keep it. We want to retain our share of the total contract. One cannot control, nor should

one really consider controlling, everything that baseball may want to do. We should be negotiating a contract sometime during 1989.

College Football

Rights fees have dropped dramatically in the last seven or eight years and I think the college community would like to consolidate coverage. That may conflict with the courts, and they have to be ingenious working an acceptable way around that. NBC, because of baseball, has limited flexibility. We're committed through mid-October. It's not realistic to have college and baseball games on a Saturday afternoon. The potential for irritating both audiences is great, and they are different.

College TV Sports Proliferation

There's just too much of it! On a fall Saturday in New York, and many other areas, between noon and midnight you can probably see eight different games. You're dramatically fractionalizing your audience, and there is no value to advertisers. That's why rights fees have decreased. The answer is in new ways of packaging it so that a number of games afford opportunities regionally and nationally to satisfy the college community's interests. Cutting back 50 percent of the telecasts is probably the bottom line. I'm not sure it can be accomplished under the court ruling.

An NBC Sports Cable Service

It has to be one with broad coverage, that can be financially viable. Tempo is one way of exploring that. NBC Sports has been involved with cable for years, Wimbledon with HBO, the French Open with ESPN. It would be helpful if we had a cable resource, but we have been able to make arrangements with cable outlets as the need arises.

Hockey What?

Hockey will never make it at a network because it's so regional. You're talking about at maximum 25 percent, maybe audience-wise 40 percent, of the country. They don't even know what a puck is in the South and Southwest.

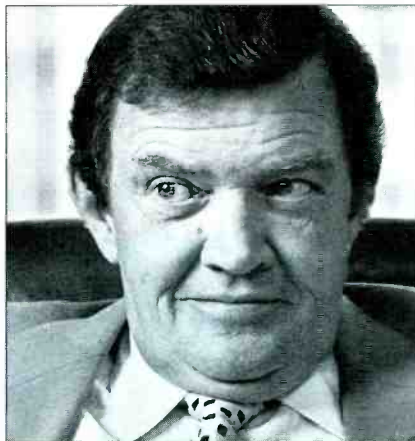
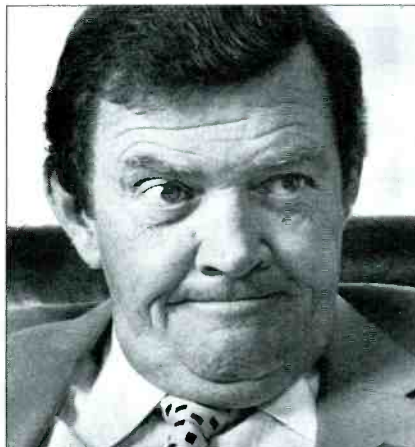
Heavyweight Boxing

Boxing has its ups and downs. The heavyweights have been glommed on by HBO, and they monopolize that area at significant prices. Can you imagine paying three million bucks plus production costs and everything else for the last three or four fights HBO has had?

The World Cup and the U.S.

I think it's exciting for this country. Granted, soccer is not an "American sport." It's had a difficult time even es-

'If someone over-bids like CBS did for the 1992 Olympics, there's nothing you can do. I feel bad if I lose by 5 or 10 percent. If you lose by that much, just wish them luck.'



tablishing itself as an acceptable sport for the networks. I think bringing it here, and the ballyhoo and promotion it will get, will help and maybe be a springboard for future growth. We were the network of the World Cup the last time around and we're having discussions regarding 1990. And 1994 would be of interest to us.

The Competition

We each have our niche. They have events we might like and we have some they'd like. From CBS, we might be interested in the NBA the next time around. The Masters wouldn't be too bad. ABC parallels us a great deal. We don't do Monday night and we're satisfied with our Sunday package. They have special events like U.S. Open golf. I didn't say CBS and U.S. Open Tennis. That would be something we have no interest in because of schedule conflicts. The one event I'd like to have is the Olympics, every four years, both Winter and Summer, at a reasonable price.

NBC's On-Air Talent

I like my roster better than anybody else's, but a few others are impressive. One that comes to mind at CBS is John Madden, who's very good—a superstar. And Al Michaels at ABC. That's about it. That doesn't mean I'd take Madden over Merlin Olsen. The Enberg/Olsen match is very, very good for us.

GE Ownership of NBC

Today, we write different reports than we did for RCA. But GE has been very supportive. They're not accustomed to seeing an NFL deal, putting up that kind of money and at the end of three years not owning it. That may be a cultural shock, but they recognized that it was necessary to make those investments. The support is there.

NBC Sports' Bottom Line

This year should look super—thus far it's been very good. It will be by far a record-breaking year for NBC Sports. We'll make a reasonable return on Seoul.

Watson's Challenges

The challenge is being able to deliver to advertisers a quality product at an acceptable price—with new competitors and the fractionalization of audiences. Ten years ago, there weren't that many competitors. Today you have regional pay channels, ESPN and other networks. I like the challenge, the combat of it all. My avocation has become my vocation, and that rarely happens. I say that I have the best job in America. There are only three like it and this one is better than the other two. ●

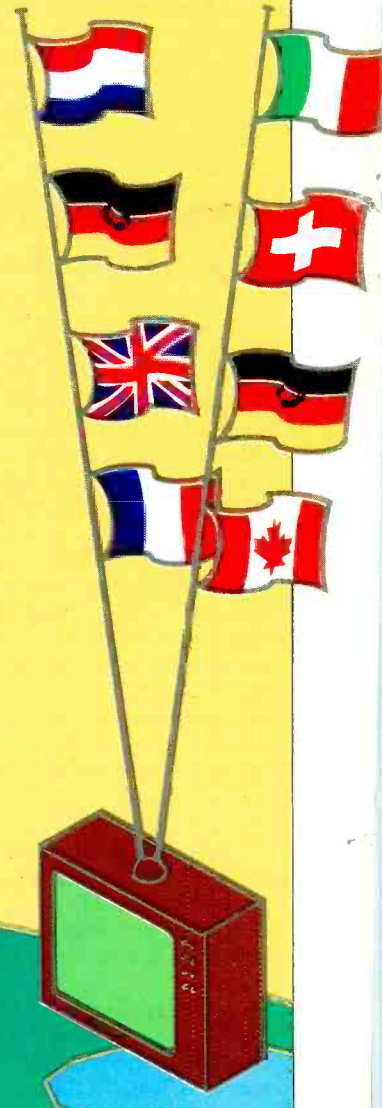
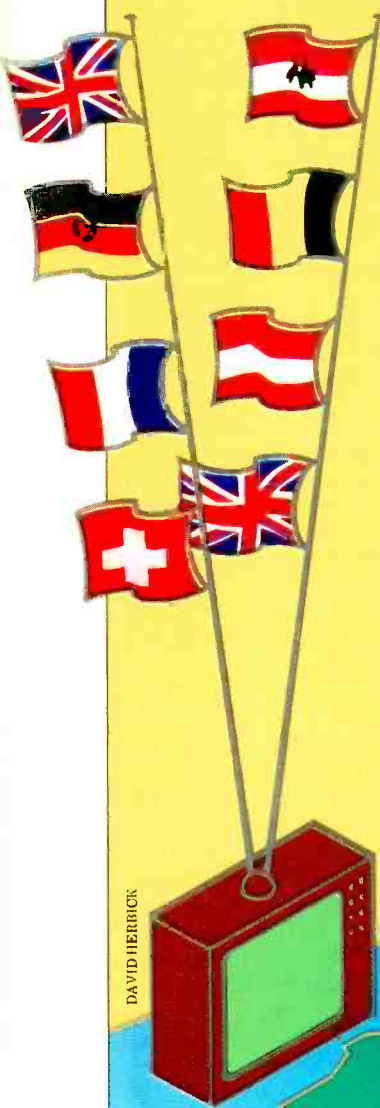
RUNNING THE NUMBERS

The Growth of Pan-European TV

The mood in Europe regarding the growth of satellite-delivered programming across the continent is one of hesitancy. While companies such as Rupert Murdoch's News International are beaming down a bountiful array of shows, serious obstacles still confront satellite programmers, among them language barriers, restrictive government regulations and slow cable wiring. Most of these channels have yet to see black ink, but are determined to carry on.

CHANNEL	PARTIES INVOLVED/ % OF INTEREST	HOMES REACHED IN MILLIONS (Number of Countries)	LANGUAGE SPOKEN
(Base)	% OF INTEREST		
Sky Channel¹ (London)	News International [Murdoch] (UK)/89.3 Others/10.7	13.1 (19)	English
Super Channel² (London)	Virgin (UK)/30.0 Granada TV (UK)/20.0 Yorkshire TV (UK)/15.0 Television South (UK)/10.0 Anglia TV (UK)/5.0 10 other ITV companies (UK)/20.0	12.7 (13)	English
Arts Channel¹ (London)	United Cable TV (USA) TVS Television (UK) Equity & Law (UK) Commercial Union (UK) John Griffiths, Others (UK)	12.0 (19)	English
TV-5 (Paris)	TF-1 (France) FR-3 (France) Antenne-2 (France) RTBF (Belgium) SSR (Switzerland) CTQC (Canada)	9.4 (13) 66.6 33.3	French
3-Sat (Mainz, WG)	ZDF (WG)/60.0 ORF (Austria)/30.0 SRG (Switzerland)/10.0	3.8 (3)	German
Rai-1 (Rome)	Radiotelevisione Italiana/100.0	3.6 (3)	Italian
Sat-1² (Mainz, WG)	PKS (WG)/40.0 Aktuel Presse-Fernsehen (WG)/15.0 Axel Springer (WG)/15.0 AV Euromedia (WG)/15.0 Neue Medien Ulm (WG)/1.0 Otto Maier Verlag (WG)/1.0 Unallocated stock/13.0	3.5 (3)	German
RTL-Plus (Cologne)	CLT (Luxembourg)/46.1 UFA (Bertelsmann) (WG)/38.9 Westdeutsche Allgemeine Zeitung (WG)/10.0 Burda (WG)/2.0 Deutsche Bank (WG)/2.0 Frankfurter Allgemeine Zeitung (WG)/1.0	3.4 (2)	German
MTV Europe (London)	Mirror Group Newspapers [Maxwell] (UK)/51.0 BT Vision [British Telecom] (UK)/25.0 Viacom International (USA)/24.0	2.7 (9)	English
1-Plus (Munich)	ARD (WG)/100.0	2.7 (1)	German

Source: Television Business International.
¹ Murdoch is preparing to launch Sky Television, a four-channel satellite service that will encompass Sky Channel's and Arts Channel's programming. It should begin service on the Astra satellite in early 1989.
² Is in the process of restructuring.



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have proved beneficial for both parties. Today, he is more active than ever in cable brokerage and investment banking. Put Bill Daniels and his team to work on your next cable transaction. Daniels has the experience of the past, the vision of the future.

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