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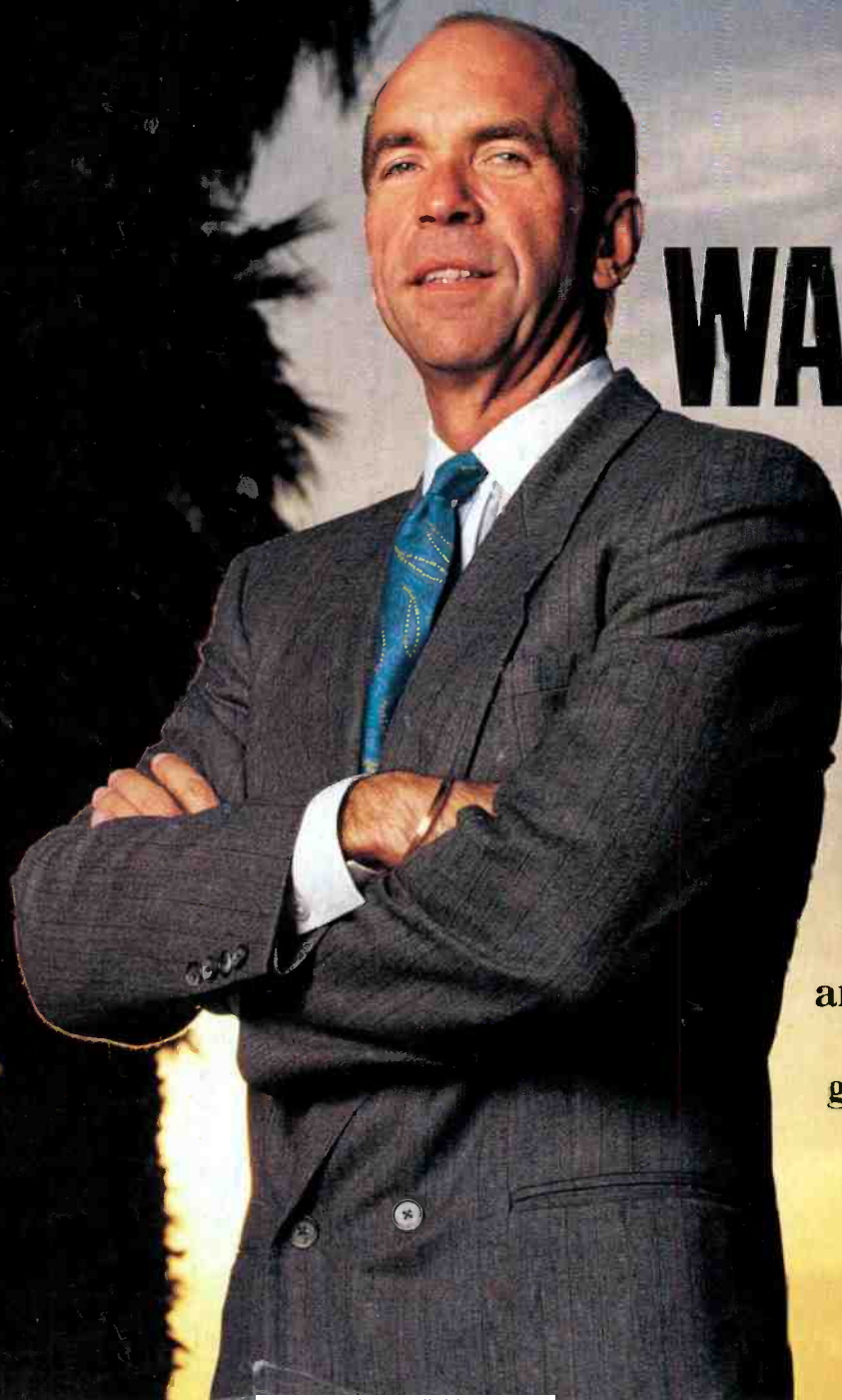
Cox: Cable's Private Power
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CHANNELS

FEBRUARY 1990

THE BUSINESS OF COMMUNICATIONS

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CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 10, NO. 2

FEBRUARY 1990



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New Year, New Opportunities

In just the last year, the production and syndication businesses have been through a dramatic consolidation, the Japanese have moved into Hollywood, local cable and broadcast television have intensified their competition and cable networks have become major first-run and off-network syndication markets. In television, the only constant, it seems, is change.

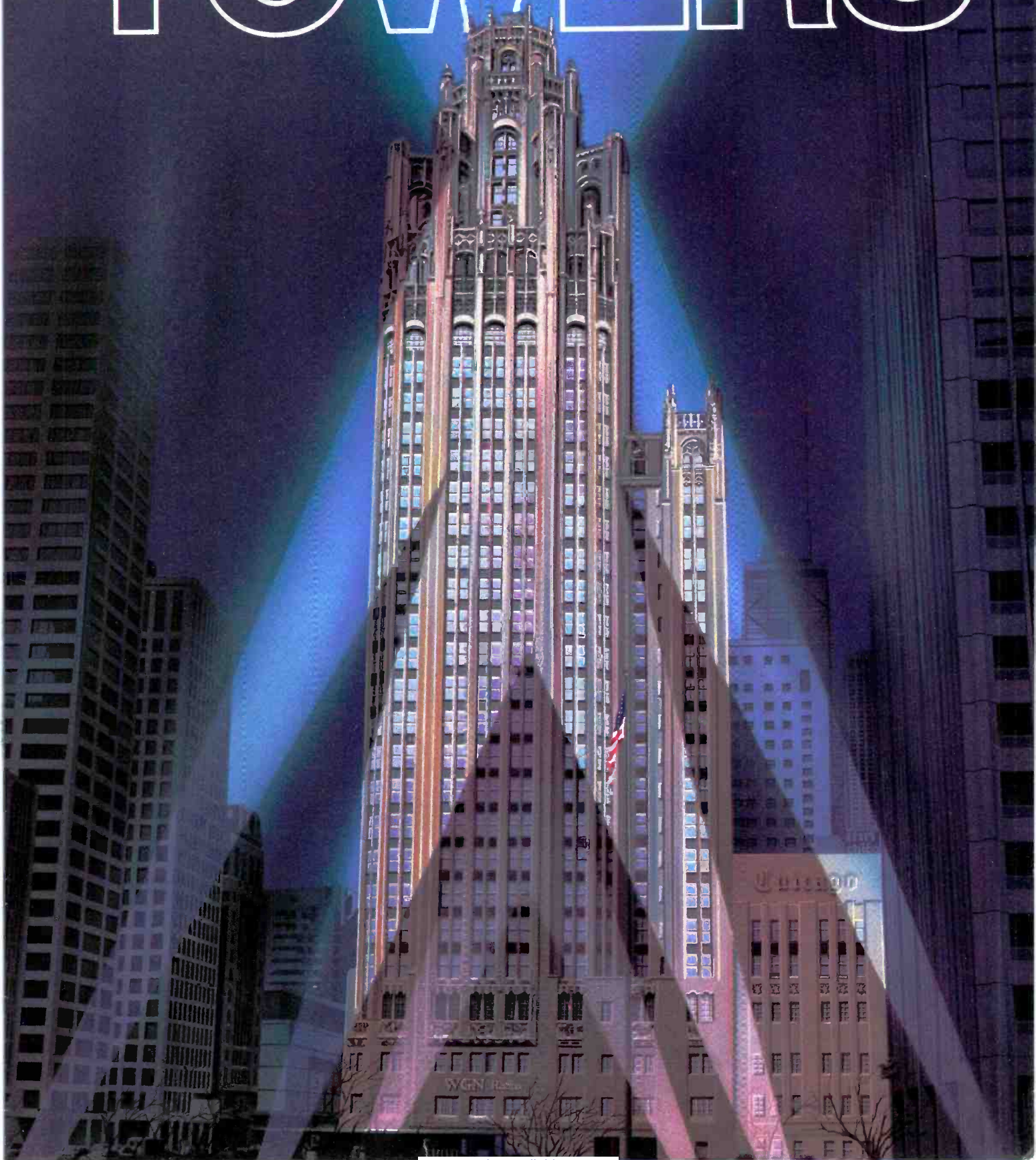
That's true at *Channels* as well. The magazine continues to evolve, both in its graphic look, its editorial and marketing focus and now, in 1990, in its very frequency. As some of our readers may have heard by this year's National Association of Television Program Executives confab, we are doubling *Channels'* publishing frequency to 22 issues annually, beginning in April. Because the industry, with increasing speed, is undergoing continuing and dramatic change, we think it critical that *Channels* deliver its vital information package as frequently as practical. We're not about to tamper with what we do best—assessing the trends, people and companies with a depth you won't find elsewhere. We'll maintain our monthly lineup of departments in such important areas as marketing, sales, production, deal-making, news and ratings. All we're doing is doubling the opportunities to serve our readers and advertisers.

What's more, this increase in publishing frequency will allow *Channels* editors to react more quickly to the fluid business of television and devote even more attention to the cover stories and special features and reports that are *Channels* trademarks. More covers means, of course, more cover stories, and with that effort will come a greater ability to serve convention audiences as well as segments of the industry during key periods.

For advertisers, the increased frequency will provide greater flexibility and better timing in communicating their messages to their target audiences. In addition, we've expanded our marketing programs with the addition of several new features to provide even greater added-value.

But those of us at *Channels* are in the business of servicing our readers in other forums besides the magazine. We hope our *Television Programming Sourcebooks* and our newsletters—which include the twice-monthly *Market Shares* on the business of selling television advertising time, and *Show Biz News*, the insightful behind-the-scenes look at the production business—will continue to provide useful information to our readers. We plan on offering more programs like the vastly successful Syndication 1990 conference we cosponsored with PaineWebber last October. As we move farther into the '90s, let us know what you think of our increased frequency and what we can do to continue to expand our information and marketing franchises.

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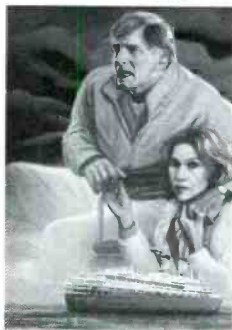
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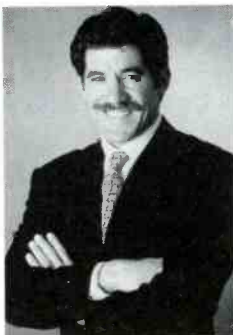
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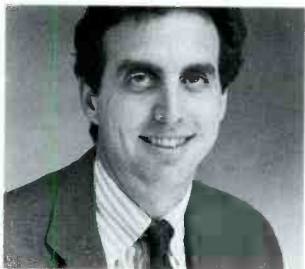
**TRIBUNE
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New Commitment To CBS International?

A beleaguered division tries again.

It looks like newly hired James A. Warner will get what previous top executives at CBS' international unit had only longed for: clout, independence and support from the top. But industry observers still wonder: Will CBS be willing to take its eye off the core network business to take greater advantage of the international marketplace?

After years caught in the network's corporate crossfire, CBS Broadcast International (CBI) now falls



Warner: will CBS let him succeed?

under CBS Enterprises, a new division that links CBI, CBS Video and other program distribution areas of the company. Warner, former v.p. of HBO Enterprises, was brought in as president in December and reports directly to Howard Stringer, president of the CBS Broadcast Group.

The realignment drew praise—and a hint of envy—from several former CBS international execs.

When Donald D. Wear took over as senior vice president and general manager in 1986, CBI (along with the rest of CBS) was reeling from Ted Turner's takeover bid and faced the liquidation of its theatrical film, TV production and ancillary enterprises, such as videotex and teletext. After three years as head of the stripped-down

division—focusing on international coproductions, acquisition of overseas product and sales of CBS programming—Wear left the company in December to join Wiley, Rein & Fielding, a Washington-based interna-

The Twilight Zone, a CBS international coproduction: under predecessor Wear, such ventures took a back seat to the domestic network.



tional law firm.

CBI's coproductions under Wear include 12 hours of *Ready for the Skies* with the BBC, 30 new half hours of *The Twilight Zone* and *Katts and Dog*. CBI also signed a deal in 1988 with a consortium of eight European companies to sell a series of programs internationally. The unit has not yet placed this fare—including *Eurocops* and *The Manageress*—in the U.S. market.

Wear says the division is generating nearly \$50 million in annual revenues and \$35 to \$40 million in profits, up from about \$20 million in revenues and \$3 million in profits in 1986. Despite these returns, Wear says it was difficult "to get division presidents to peer over the horizon of making CBS network number one and think of more elusive opportunities."

He was not the only one who felt the frustration. In

late 1988, Art Kane, CBI head of acquisitions and development, was squeezed out amid corporate lobbying to fold CBI and put it under CBS News. "I'm glad," says Kane, "that my old colleagues at CBI are going to get a better shot at the pot of gold."

That remains to be seen, of course, particularly with doubts about whether the network's myopic concentration on its core network business has put it too far behind ABC, NBC and other media companies energeti-

unit was created to "capitalize on the growing international market and increased opportunities in the domestic aftermarket." Beyond that, CBS has been reluctant to talk about plans for the new division before Warner defines his strategy.

Lee de Boer, senior vice president of HBO Enterprises, says Warner will be especially adept at packaging international coproductions, armed with a full Rolodex and long-held relationships with European broadcasters and producers from his days at HBO. (Warner joined HBO in 1981 and the following year was named manager of HBO Enterprises.) CBS senior v.p. of sales and marketing Rainer Siek is staying with the unit, so Warner should have the freedom to pursue projects with the international creative community.

Yet J.B. Holston III, NBC's v.p. of business strategy and international development, is among those who question whether CBS is willing to spend money to pump up the network's international presence. "I'm not sure they've made the commitment," Holston says. "Will they find the financial opportunities that look good to them? That's the classic Tisch issue."

That Jim Warner is the brother of Steve Warner, assistant to CBS president Laurence A. Tisch, bodes well for his chances to make his case to top management.

STEVEN BESCHLOSS

cally investing in domestic cable and international equity partnerships. "The opportunities are there," says one competing network sales executive. "But given their ratings problems, how interested are they in something exotic like international coproductions?"

For his part, Stringer said at the time of the announcement that the new

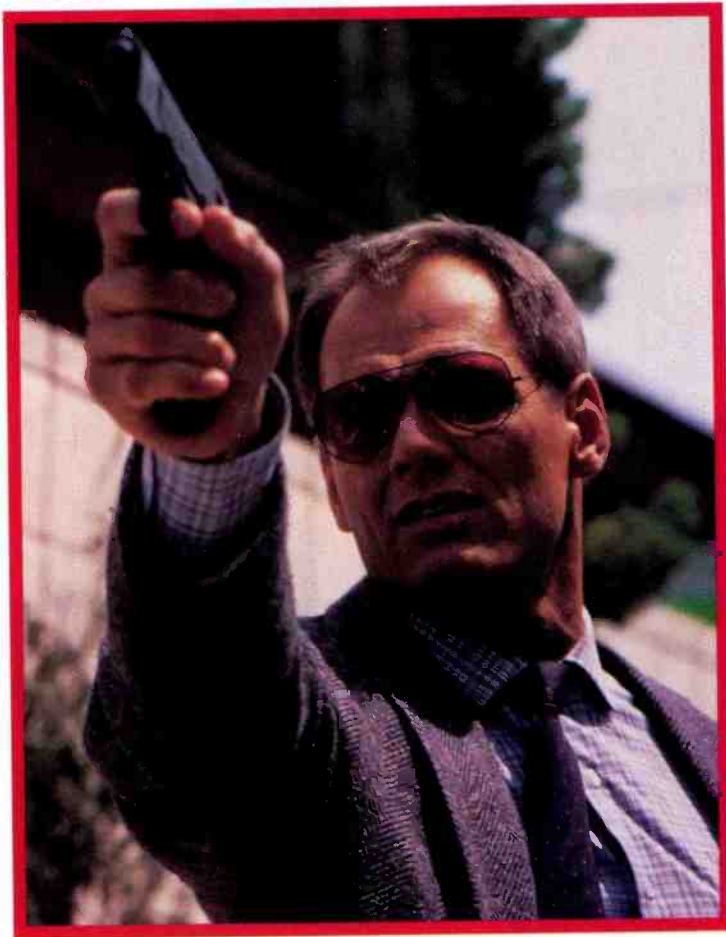
Reuters Plans A Satellite Service

Is there room for a new financial net?

London-based Reuters is expected to make its bid later this year to join the media heavyweights in the televised financial news business. But rather than go

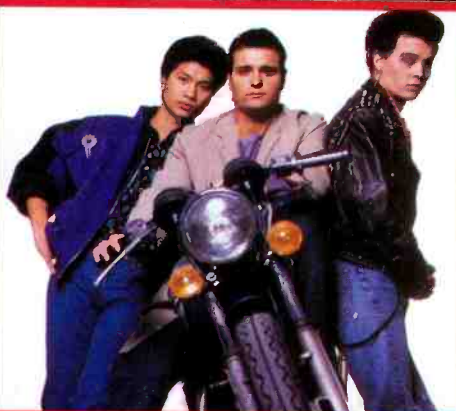
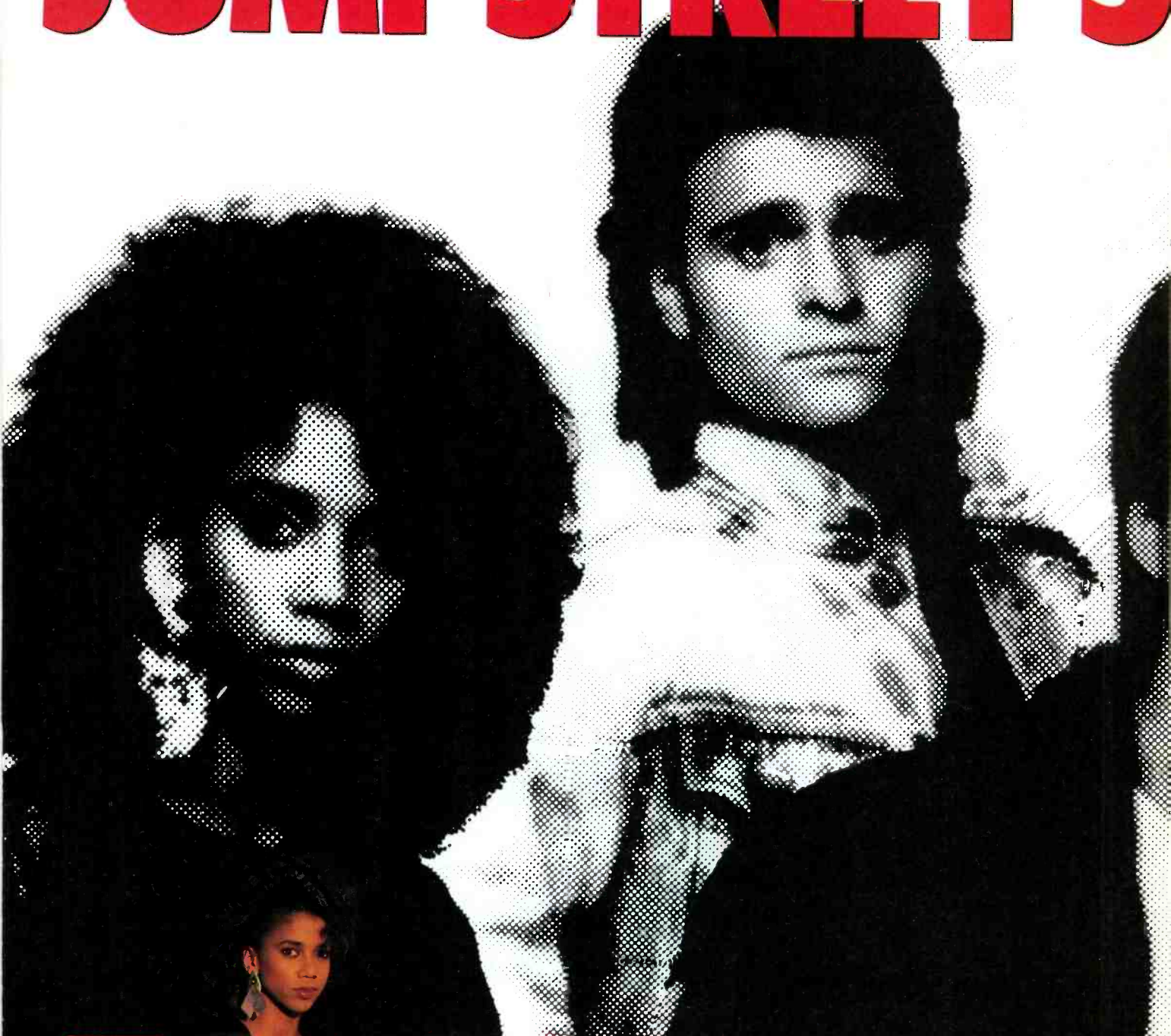
for the Big Splash and directly enter the competitive tussle with FNN and CNBC, Reuters will target its satellite service to the select financial community.

HUNTER'S

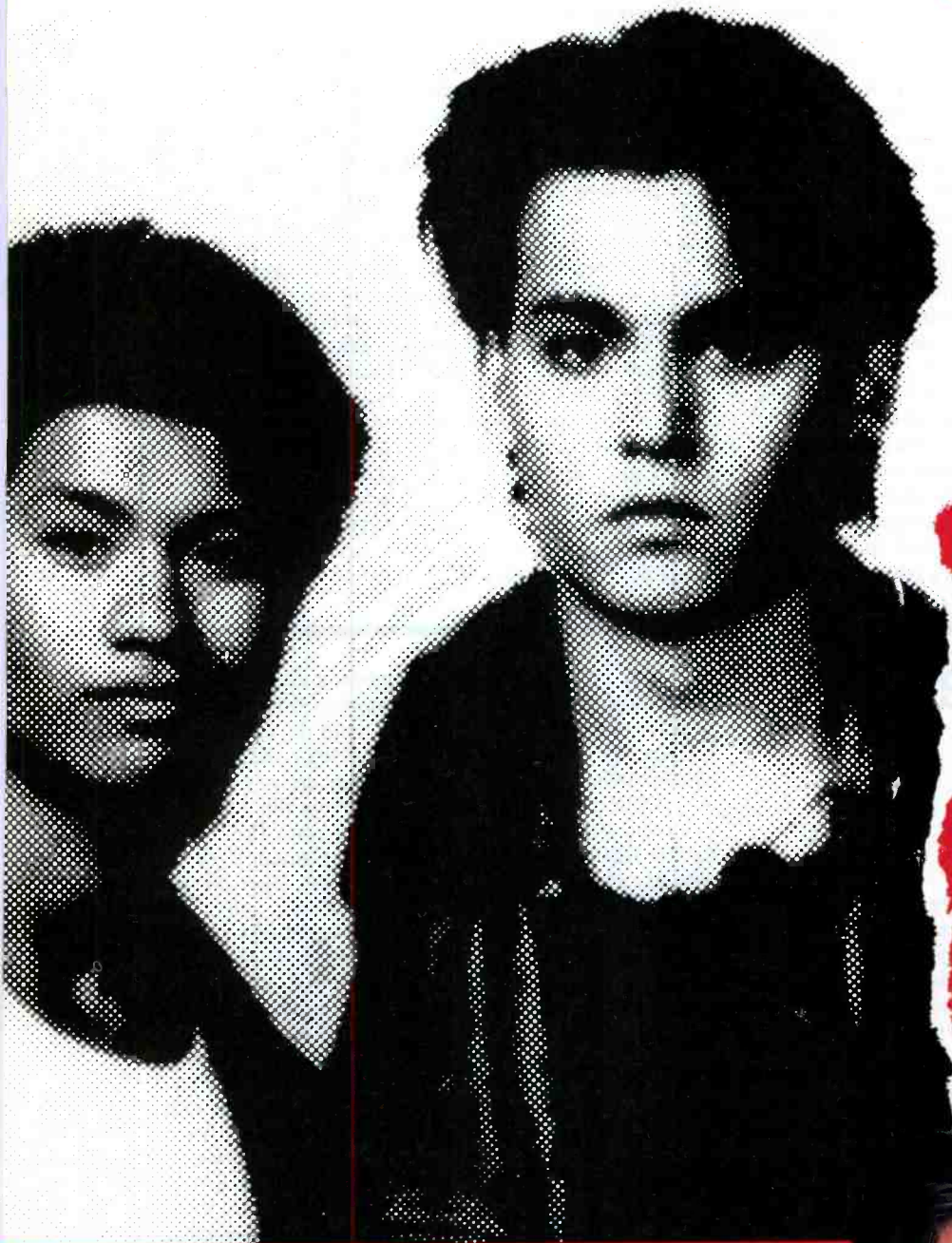


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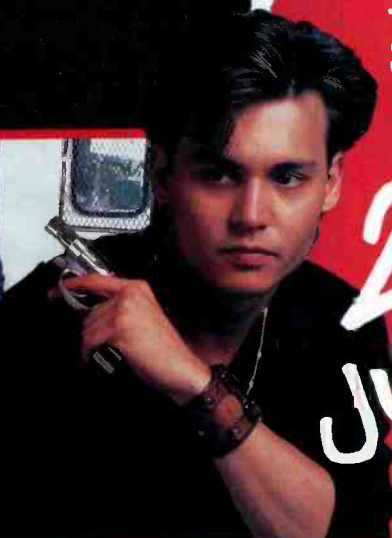


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21 JUMPSTREET

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According to several sources involved in the development of programming for the new service, Reuters will set up a private distribution system that provides each client with a satellite dish and VCR (for viewing after business hours). The subscriber list would draw from institutional investors, including investment houses, insurance firms, commercial banks, large corporations and pension funds.

One pilot producer said the service is scheduled to launch in September. Reuters refused comment, except to acknowledge through spokesman Robert Croke that "Reuters does have plans for a TV-based product that would deliver a service or package of services to financial institutions as well as corporations."

Already the majority

shareholder of the international TV news agency Visnews, Reuters could in fact be gearing up to make use of its worldwide news-gathering organization. Reuters, with revenues of \$1.5 billion in 1988, counts News Corp.'s Rupert Murdoch, who owns a 6 percent stake, among its largest shareholders.

For now, the strategy appears modest. Companies would pay to present their financial information to potential investors in, say, a stock offering. Broadcasts of meetings, management interviews and other such live forums would be mixed with regular programs featuring financial analysts and assorted economic advisers.

In December, the global news and financial services company was quietly preparing test pilots in a studio

in New York's garment district. One participant—a seasoned veteran of financial news shows—described the set as the most spectacular he'd ever seen, with a rich wood backdrop, a window effect depicting the twin towers of the World Trade Center and more cameras than typically used for a financial panel. "My sense was that Reuters is making a major financial commitment," he says.

The service's direct competitor is Institutional Research Network, another New York-based satellite service for the professional investment community. IRN, launched in 1983 by Private Satellite Network, was acquired last February by Infotechnology Inc., which also owns FNN.

"We respect Reuters," says John Fram, president of

IRN. "But we think we understand this market."

Michael Wheeler, president and general manager of FNN, offers a less ingenuous view, contending that the issue is whether the product will meet an existing demand.

"If Reuters can do for IRN what CNBC has done for FNN," adds Wheeler, "then I hope they will go on the air tomorrow." The launch of CNBC earlier this year, Wheeler says, has substantially increased ratings and attention paid to FNN.

Wheeler, for one, remains unconvinced that Reuters will succeed with the new service. "The Wall Street Journal hasn't been able to translate what they do in print into television," he says. "Why should we assume Reuters can?"

STEVEN BESCHLOSS

BBC Wants To Shed Its Stodgy Image

Sarah Frank seeking new U.S. partners.

European television giant the BBC has stepped up its efforts to carve out a slice of the American programming scene, hoping to take advantage of the explosion of program services in the U.S. over the last decade. With its New York-based BBC Television offices hunting for American partners (as well as being sought out by some U.S. programmers), the BBC keeps upping the amount of coproductions it does in the U.S., moving beyond the confines of PBS—but not leaving them out of the picture. The BBC's image needs some re-vamping, says Sarah Frank, senior v.p. of coproductions at BBC/Lionheart TV: "We don't want to be considered stuffy, costume-drama TV producers."

As the BBC's coproduction voice in America, Frank goes a long way toward dispelling

that stodgy image herself. After graduating from the University of Michigan in the '60s, Frank left for Italy, where she worked on spaghetti westerns for three



BBC joined up with HBO to make *Fellow Traveller*; Sarah Frank.

years. Frank moved to New York in 1971, where she hooked up with Children's Television Workshop, getting her feet wet distributing *Sesame Street* and *Electric Company* internationally until 1977. She came across BBC's path while in jobs

with Time-Life Films and The Entertainment Channel, A&E's precursor, which had exclusive cable rights to BBC programming at the time. She joined BBC TV in 1984.

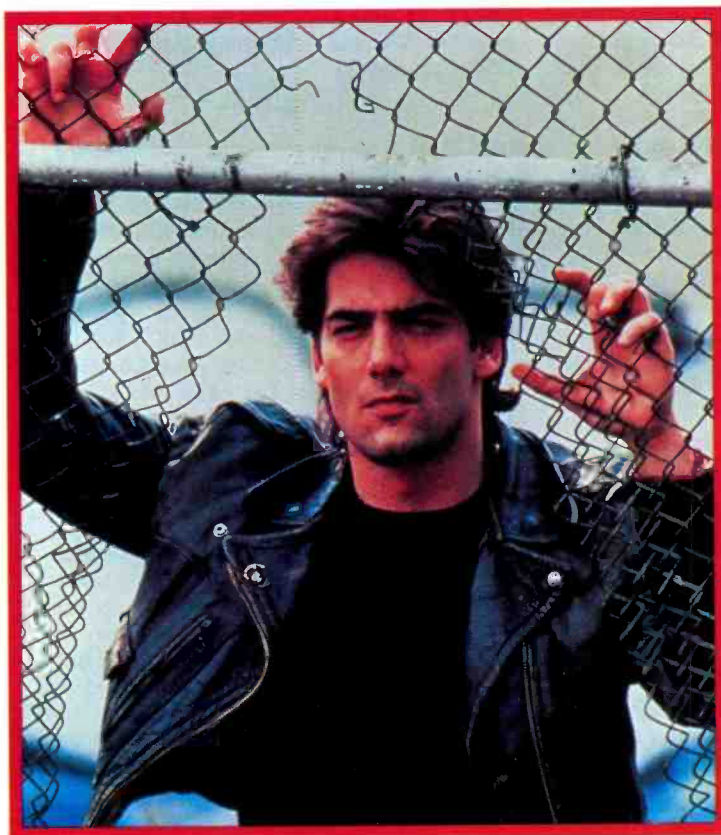
These days are busy ones for the BBC for a number of reasons, Frank says, among them the growth of alternate venues to which BBC can sell its programs, the need for programmers to share costs in these budget-conscious days and the changing tastes of both

come a change in the way coproductions are set up. "In the old days, it was, 'Thank you very much, I'll take your money and see you in a year with your film,'" says Frank. "Not even the BBC is arrogant enough to do that anymore. There has to be collaboration on creative, casting, staffing and development levels."

A good example of the types of deals Frank sets up with U.S. programmers is *Fellow Traveller*, a co-venture with HBO Showcase, which is scheduled to debut this month and will be followed by a European theatrical release and a BBC run later in the year. "It's a wonderful script that was perfect for international collaboration," she explains.

Frank expects the workload to keep growing at BBC TV—currently she's involved in about 100 hours of coproduction programming a year, and all kinds of offers keep pouring in. "That's what's exciting about my job," she says. "All the scripts and treatments that I read are like a college re-fresher course in science and the arts." MICHAEL BURGI

MORE HEAT TO COME!



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News Ambitions

BY RICHARD KATZ

FEBRUARY 21: CBS airs the **32nd Annual Grammy Awards**, sponsored by the **National Academy of Recording Arts & Sciences**, live from the Shrine Auditorium in Los Angeles. Last year's telecast scored a 16/26 Nielsen rating/share for the network. This year's event, produced like last year's by **Pierre Cossett Productions**, will have its usual share of **Bobby McFerrins** and **Tracy Chapmans** to snare the high profile awards like record of the year and best new artist, but some of the more interesting winners show up in the lesser-known categories. In 1989, for example, the Reverend **Jesse Jackson** walked away with the best spoken word or non-musical recording award for a speech included on an **Aretha Franklin** album.

FEBRUARY 21-23: **Texas Show '90**, the cable TV convention and trade show, two-steps into the San Antonio Convention Center. This year's show will feature separate panels organized by the **Cabletelevision Advertising Bureau**, the **Cable TV Public Affairs Association** and the **Cable TV Administration and Marketing Society**. Themes for these and the rest of the sessions are left open-ended to allow for discussion of current events in the cable industry. The show doesn't have an overall theme because, as show spokesman **W.D. Arnold** explains, "In years past, we've tried to have catchy themes but we didn't get the mileage out of them to make it worth all the trouble and expense." Arnold expects about 2,200 attendees, approximately the same as last year. By mid-November, 95 percent of the show space had been sold to 151 exhibitors, filling 340 booths. Check out the Wednesday and Thursday night entertainment; recent years have seen the likes of **Glen Campbell**, the **Spinners**, **Tanya Tucker**, **Asleep at the Wheel** and **Leslie Gore**.

FEBRUARY 27-MARCH 3: As part of its fourth annual **New York World Television Festival**, New York's **Museum of Broadcasting** presents the premiere of **Reiner Moritz's Masterworks: The Peggy Guggenheim Collection, Venice**. Moritz, arguably the most important cultural television producer in the world—his work appears regularly on **PBS**, **Bravo**, **A&E**, **Discovery**, **Lifetime** and on channels in 50 other countries—is celebrating the 20th anniversary of

his company, **RM Associates**. The festival, which focuses on outstanding programming from around the world, features screenings of other Moritz titles, a tribute to the television work of **Laurence Olivier**, and many other award-winning programs.

MARCH 1: A public television station selling commercial advertising time? Well, capital gain isn't its motivation, but today PBS station **KQED** San Francisco, in conjunction with **NBC** affiliate **KRON**, launches a regional news service on UHF PBS station **KQEC**, offering it to cable operators as a commercially supported feed. (KQEC shares a building with KQED and repeats much of its programming.) **Joe Camicia**, director of government and cable relations at KQED, says his station is forming a new company with **Chronicle Broadcasting Co.'s** **KRON** to produce four separate news feeds for the Bay Area. He hopes to sign on cable operators as equity partners. "KQED has been looking for a way to get into the news business for some time," says Camicia, "and this is a way to do something more immediate than our weekly documentaries." Camicia hopes to eventually have six news feeds, one from each Bay Area county, and has plans to produce an in-class news show on Bay area issues for high school students as part of the news service. As far as the service netting the PBS station some revenue, Camicia says it should happen eventually and then jokes, "We should live so long."

MARCH 5: The news craze continues. After a two month delay, **Walt Disney Co.'s** **KHJ-TV** (which in December received **FCC** approval for a call letter change to **KCAL**) in Los Angeles debuts its daily three-hour prime-time newscast. Disney is spending big money in its attempt to turn around the market's fourth-ranked major independent station; they've lured anchor **Jerry Dunphy**, who was caricatured as **Ted Baxter** on **The Mary Tyler Moore Show**, from rival **KABC** with a reportedly five-year, no-cut contract for \$6 million. KHJ executive vice president and manager **Jim Saunders** says the two-month setback was due to the need to hire 25 more people, bringing the staff to over 140, and to buy \$4 million worth of equipment to get the newscast up and running. The station leases a sound stage and two office buildings from **Paramount Pictures** to house its news operation. ●

CALENDAR

- Feb. 6-7:** Arizona Cable Television Association annual meeting. Hyatt Regency, Phoenix, Ariz. Contact: Susan Bitter Smith, (602) 257-9338.
- Feb. 8-10:** Louisiana Association of Broadcasters annual convention. Lafayette Hilton, Lafayette, La. Contact: (504) 383-7846.
- Feb. 11-16:** Monte Carlo Market. Loews Hotel, Monte Carlo, Monaco. Contact: Andrea Asseo, 45-62-31-00.
- Feb. 13-14:** Television Advertising Workshop, sponsored by the Association of National Advertisers. New York Hilton, New York City. Contact: Monica Madariaga or Pat Hanlon, (202) 785-1525.
- Feb. 13-14:** Broadcast Credit Association 23rd annual credit and collection seminar. Westin Lenox Hotel, Atlanta. Contact: Mark Maltz, (312) 827-9330.
- Feb. 28-March 2:** Cable TV Public Affairs Association annual public relations skills and strategies seminar. Portman Hotel, San Francisco. Contact: Ed Dooley, (703) 276-0881.
- March 11-13:** West Virginia Broadcasters Association spring meeting. Huntington Radisson Hotel, Huntington, W.Va. Contact: Marilyn Fletcher, (304) 344-3798.



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Preview Review

Cable's big three pay companies take a fresh look at a tried and true marketing tool.

BY RICHARD KATZ

Free previews have been an ever-green marketing device for pay cable services since the early days of the pay-television industry. In those early days, however, pay didn't have to contend with the VCR, basic cable and pay-per-view. With the fight to add new subscribers fiercer than ever, HBO/Cinemax, Showtime/The Movie Channel and The Disney Channel have all stepped up their investigations of how best to run free preview campaigns.

In the past year, the big three pay companies have been refining their individual techniques. Marketers want to pinpoint what promotional support will maximize the number of new subscribers, when to run previews and for how long. Disney, HBO and Showtime have kept their research departments busy trying to figure out what tactics work best.

The major pay services agree that the free preview, unscrambling a pay signal for all basic subscribers, is one of their most effective marketing tools. The concept is simple. If basic subscribers get a sample of what they've been missing on pay channels, many will be convinced to upgrade.

The pay services also deem free previews cost-effective. Says The Disney Channel's v.p. of consumer marketing Tom Wszalek, "They give us the chance to run promotional spots and to show people why The Disney Channel is important. When you weigh that against going out and buying all that national media to create the same impact, previews are a pretty powerful tactic."

The big three differ in the details.

Each service puts a different spin on the preview concept.

Wszalek says that Disney has four previews, one per quarter, set for 1990, and after much experimentation, eight days of unscrambling, Sunday through Sunday, seems right. "Sunday is a big viewership day for families," he says, "so it allows us to capture people early on and then promote the programming that's coming up the other seven days." Wszalek also praises the retention rate of the subs Disney gets from previews. Research found that 72 percent were still subscribing six months after the 1988 Disney holiday preview.

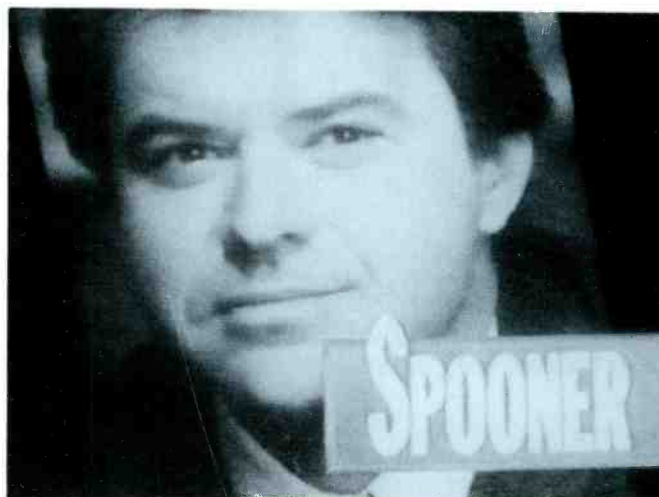
Showtime/The Movie Channel favors three previews in March, July and October/November for each of its services, varying in length from three to five days and splitting weekends with

weekdays. "We try to give each potential audience segment a different look at our product," says Mark Greenberg, vice president of direct marketing for Showtime. Greenberg claims Showtime's telethon-like hard sells during the interstitials garner more response calls than the softer sell of HBO, where he used to work.

For subs with addressable boxes, Greenberg says an impulse-oriented spinoff of the free preview, called "Instant Winner Days," has been performing well. On select nights the network runs local insertion commercials that show movie clips and say, "Tonight you can watch *Big Business* and *Good Morning Vietnam* by calling this number and ordering Showtime right now." "It really plays right into the consumer's immediate gratification," says Greenberg. "Also, we've gotten some really positive reaction [from the systems] because it also helps to sell the cable operator's technology, which some consumers don't quite yet understand."

In a unique move, Showtime initiated a free preview right after the San Francisco earthquake last fall, airing 15-20 minute live telethon segments between programming to raise money for the American Red Cross Disaster Relief Fund. Seventy-seven Western region cable systems participated, many offering a free one-month upgrade of Showtime to contributors who donated \$10 or more to the Red Cross. The campaign raised \$450,000.

HBO spokesman Alan Levy says that HBO and Cinemax have found this formula to work best: A preview in March, June and September, all corresponding to larger marketing campaigns. During those previews, Cinemax is unscrambled on Fridays and Saturdays and HBO on Sundays and



Disney premiered *Spooner* during a preview; star Robert Urich hawked the service between programs.

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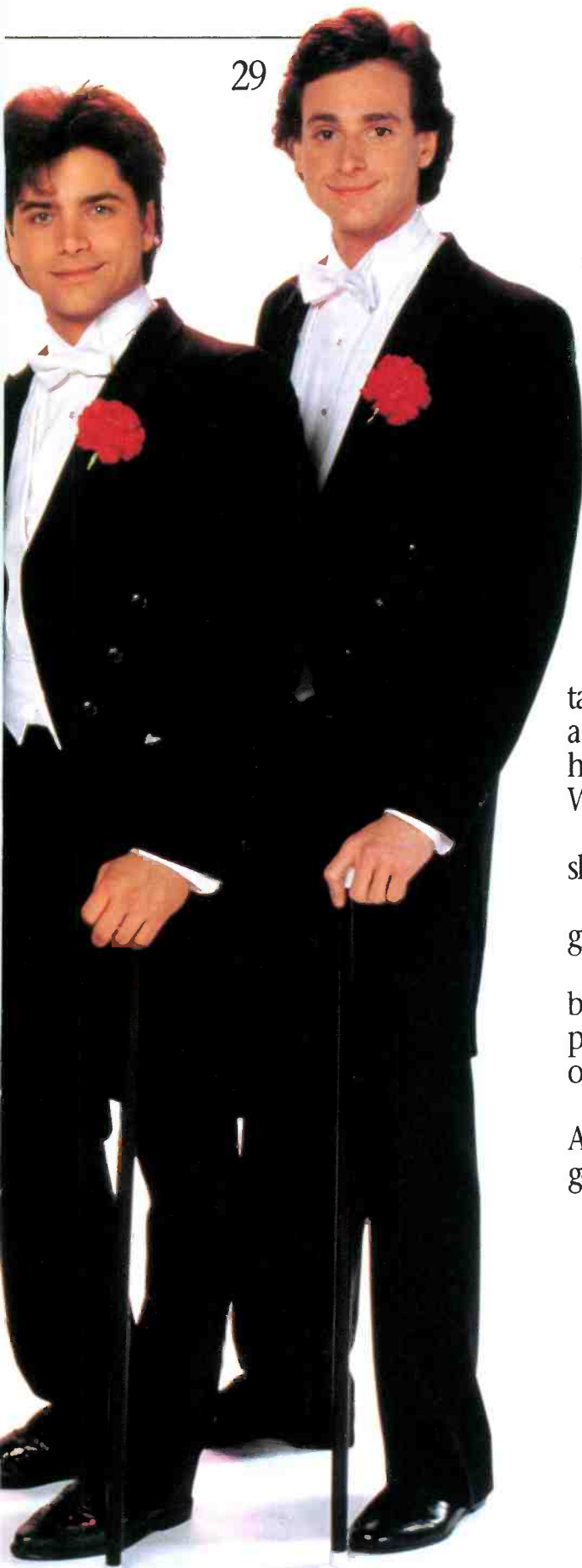
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Friday 8:00 - 8:30
1989 - 90

Mondays. Demographic research indicates that the Cinemax audience skews slightly younger than HBO's and is more apt to be watching earlier in the weekend.

As far as support promotion, HBO/Cinemax typically supplies each participating system with free direct mailers to alert the basic subscriber to the preview, free bill-stuffers and TV spots the cable operator can run during local avails. In DMAs where over 70 percent of the systems agree to participate, the service buys local broadcast television time to run the spots. The only cost to the operator is usually just the stamps on the direct mail. The promotional support Showtime/The Movie Channel provides to affiliates utilizes more tele-marketing; Disney makes heavier use of print ads.

All the pay services flash an 800 number during the interstitial time between preview programs, while a celebrity, usually a star of one of the featured movies, plugs the service. Cable operators collect the names and addresses of potential subscribers. The Disney Channel goes as far as flashing its toll-free number intermittently during its programs. The subscriber leads are faxed to the appropriate cable system the next morning. Showtime officials say 63 percent of those who call its 800 number sign up.

For its annual pre-Christmas preview this past holiday, Disney juiced its phone pitch with incentives. All 800 number callers received a card stating that cable system XYZ will contact them by a certain date. Then, if the caller did add The Disney Channel, he or she received a free 1990 Disney animation calendar by mailing in proof of subscription.

Local systems don't mind getting tips on where to find new subscribers from the national pay channels, but most systems say the brunt of their free preview response comes locally. "Some people call the 800 number," says Bruce Neslaw, general manager of Times-Mirror's Dimension Cable in Pioneer Valley, Mass., "but the vast majority call us the next morning in our office." Neslaw says he gets a good local response without even putting the system's local phone number on the screen during previews. In Pioneer Valley, he explains, everyone knows who the cable operator is.

In contrast, Stuart Gorenstein, v.p. of marketing for ATC's Capital Cablevision in Albany, N.Y., produces local cut-ins encouraging people to call the system directly. "We've found that local numbers draw the people better than 800 numbers," he says.

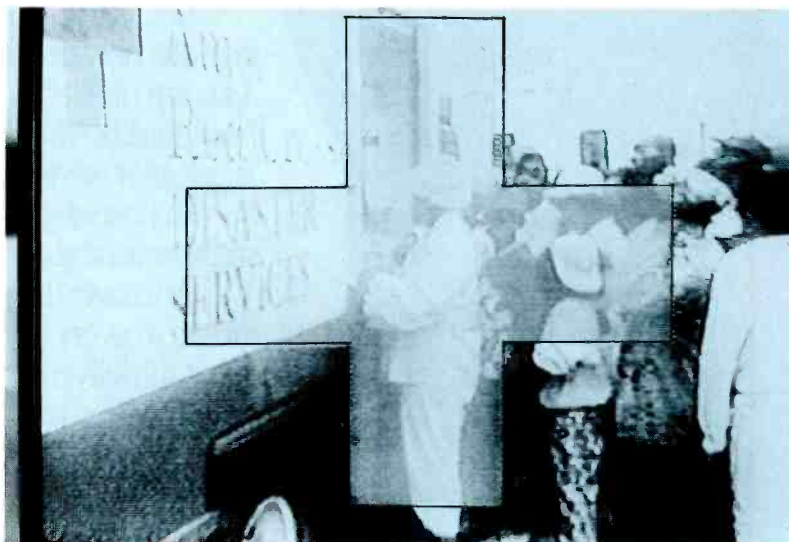
Systems also participate in occasional company-wide previews initiated by the MSO and endorsed by one or more pay services. Times-Mirror, for example, orchestrated a combination Showtime/Disney preview last year. But it's more common and in many cases more effective for individual systems to work out their own adaptation of the free preview with the pay supplier directly.

In one such case, United Cable of Santa Fe, N.M., was not getting good results from the standard national free preview campaigns. So marketing manager Laura Pace went to HBO with her own idea of how a free preview should work. United Cable got together with Jones Intercable in Albuquerque to air three hours of HBO programming, which the service provided, on local broadcast stations in exchange for purchasing advertising time on the stations. They did these "freeviews," as Pace

preview November 26-December 3, than with a preview. Both Gorenstein and Disney's Wszalek think Disney's success with previews has to do with people's perception of the channel vs. the reality of it; they realize Disney isn't just a kids' service once they sample it. Gorenstein also credits Disney's impeccable holiday timing. "It's a great time for the kids to watch Disney and go, 'Mommy, we want Disney!,'" he says, "so they get Disney for Christmas."

With all its variations, the free preview is also viewed as a weapon to combat the slow periods for sub growth, the first and third quarters and the whole summer. HBO's Levy says that the previews are an attempt to even out the waves in the fluctuations of subscriber activity to gain a more predictable subscriber level and revenue stream.

But the pay services can't always



Systems offered a free Showtime upgrade to subs who gave \$10 to help Bay Area earthquake victims.

calls them, twice: once on Fox affiliate KGSW-TV and once on indie KKTO-TV. Pace says both times the response was "phenomenal," compared to regular previews. The first netted 69 new subs and upgrades and the second 93 for the 11,000-sub system. Pace is now planning freeviews for the other pay channels.

But this type of pay service promotion on a broadcast station does not always run smoothly. Last August, Fox Broadcasting faced an insurrection of sorts when many of its affiliates chose not to air the network's three-hour HBO program promotion.

And most system marketing directors, such as Capital Cablevision's Gorenstein, say the traditional national previews work fine. Gorenstein insists that he has no better way to sell The Disney Channel, which ran a holiday

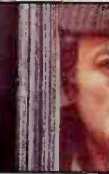
fight the allure of mother nature's beautiful summer days with a free preview. Operators agree that summer is the worst time to run a preview because fewer people are home watching TV. "Disney tends to do a preview in April every year," says Gorenstein, "and up here in the Northeast the weather is just getting nice. It usually doesn't do too well unless it's pouring rain outside."

Gorenstein emphasizes that with free previews, timing is everything. Even the best marketing plan can always use a little luck in the timing department. "The best Disney preview we ever had was two years ago," says Gorenstein. "We had a freak snowstorm that kept everybody inside watching television during most of a free preview, and we got a great response." ●

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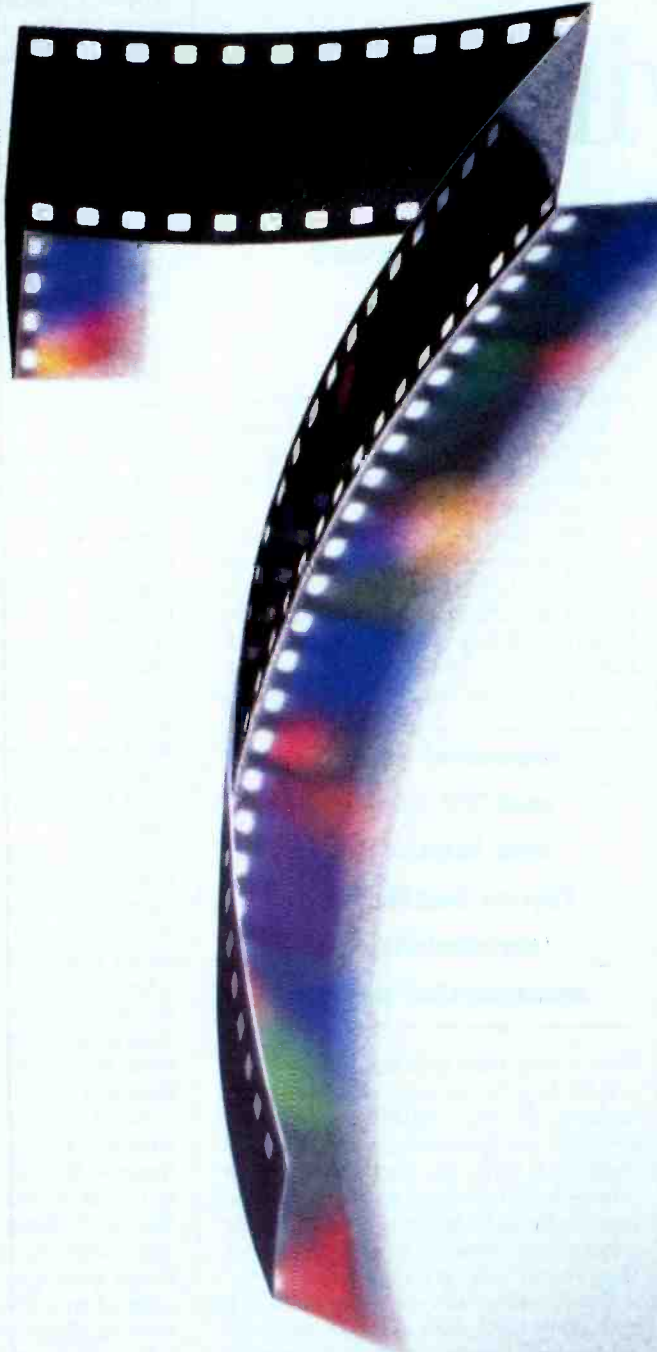
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Who's Driving?

GM wants to be the only carmaker in local ad pods. Can stations afford to say yes?

BY JACK LOFTUS

General Motors is putting the pedal to the metal, thundering past TV "showrooms" packed with competing makes and models in search of more discriminating stations. But the road's forever, the tank's near empty and the giant automaker is having trouble finding stations willing to cater to its every whim.

The man behind the wheel at GM is Phil Guarascio, executive director of advertising and strategic marketing, who oversees the annual distribution of approximately \$1 billion in television advertising. That total included about \$300 million in national spot in both 1988 and 1989, making the Detroit giant TV's biggest spender. With that kind of clout, Guarascio is insisting that stations give GM exclusivity in national spot buys. Within local commercial pods—usually two to four minutes—GM wants to be the only thing on four wheels.

GM's bid for exclusivity has produced ripples throughout the automotive, advertising and broadcast businesses:

- Television stations, which have come to rely heavily—perhaps too heavily—on automotive ads, call the GM move unrealistic in such a crowded market.
- Competing automakers, specifically Chrysler, will insist on exclusivity if GM is successful.
- If automotive gets special treatment, what about other product categories such as food and beverages?
- Do exclusive arrangements make broadcasters and advertisers vulnerable to antitrust challenges?
- Can the station ad sales economy, already depressed, survive the sharp decline in automotive spending that may

result from exclusive arrangements?

● Faced with near universal opposition from broadcasters, how long can GM afford to lose "share of voice" in the national spot market?

"There is a need for pod separation," says Guarascio, defending his strategy of exclusivity in response to TV's automotive advertising glut. "We've spent hundreds of hours talking with broadcasters, group owners, trade associations and agencies. The problem has

**General Motors
and TV stations
are locked in a
fierce battle over
exclusivity in
commercial breaks.**

been a long time coming."

Also long in coming, counter broadcasters, is any definitive research showing that separating different model cars—say a luxury car and a pickup truck—by 30 seconds within the same pod causes any viewer confusion. GM is conducting research on this issue, but they're not talking about results yet.

Broadcasters are caught between a rock and a hard place. As a category, car commercials make up 25-30 percent of inventory, much of it clustered around local news blocks and the adult demographics they draw. To give GM exclusivity "would shut me down," says Deborah Sinay, v.p. and general sales manager of WCVB-TV in Boston.

"What am I, crazy?" Adds John Reardon, general sales manager of WGN in Chicago: "If they want exclusivity with me, they have to buy enough spots to make it worth my while."

But GM isn't paying premiums. Instead, it's taking advantage of competitive factors one market at a time. "There is no such thing as a premium in a competitive environment," says Howard Kaufman, v.p. and general sales manager of WXIA Atlanta. "Where we cannot give GM guarantees, they are avoiding those pods."

If GM has been successful in obtaining exclusivity, it's keeping quiet about it: The competition is watching. "If stations are giving them exclusivity then we want equal treatment," says Joseph Hickey, manager of corporate advertising for Chrysler Corp. "But we are not aware of any stations doing that."

Over at the Television Bureau of Advertising, president James Joyella finds himself in the middle of the fight between GM and the stations. "We are prohibited by law from telling our stations what to do on issues of inventory and pricing," says Joyella, but adds that he's offering both sides a forum for discussion where, hopefully, a compromise can be worked out. He insists, however, that GM has made a major strategic blunder. "No one questions the principle of commercial protection," says Joyella. "But protection has always been defined in terms of reasonableness, and GM is going to an extreme. . . . The sticking point is defining the competition. It's unrealistic to think an ad for a GEO will attract the same customer as an ad for a Cadillac."

In fact, the Cadillac division of GM threw Guarascio a curve during the November TvB convention when the division's director of advertising said he didn't agree with the "anything on four wheels" policy, as long as Cadillac was the only luxury car ad in the local pod. Guarascio's rejoinder was terse: "The issue is a corporate issue that's bigger than any one division."

No other category of TV advertising carries as much weight as automotive—\$2.6 billion in 1988, better than half that in national spot. It's a vital chunk of change considering the soft sales economy that stations have suffered through since 1985. And with more than a dozen car companies, each with multiple makes and models, no other category is as cluttered and arguably in need of a clearer "share of voice." The convergence of these opposing forces could have disastrous consequences for stations as more and more cars pull up to their electronic pumps in search of customized service. ●

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Source: *TIME* 11/88 versus 11/89

Ready-made News

Video news releases have become too comfortable a fact of TV newsroom life.

BY J. MAX ROBINS

It was a perfect kicker for a New York newscast. The cable music channel VH-1 was giving away 36 Corvettes, one from each year the sports car had been produced, and the winner was a lucky guy from a New York suburb.

Gleaming 'vettes graced New York newscasts around the dial. It was a video news release (VNR) grand slam. Four stations used footage supplied at substantial cost by VH-1. But only viewers of WCBS, the sole station to flash "courtesy of VH-1" on the screen, knew who paid the freight for the sexy footage.

All too often this is the case. Critics charge that newsroom acceptance of VNRs puts too much power to set the news agenda in the hands of those who can pay to produce the clips. It sends a message to corporations and special-interest groups that paying for glitzy footage will get their story aired.

Purveyors like to defend the VNR as a benign extension of the press release. "The common refrain heard in TV newsrooms is, 'We're trying to do more with less,'" says Larry Moscovitz, president of Medialink Video Broadcasting Corp., a major VNR distributor. "CNN, FNN, CNBC—there's a hefty need out there for material."

According to Medialink, more than 3,000 VNRs were produced in 1989. Sponsors paid \$8,000 to \$40,000 to help feed the news maw, with slick packages that often exceed the capabilities of a local news operation. Subject matter ranged from the silly trivia of Jesse the Maytag repairman's retirement to President Virgilio Barco of Colombia urging

Americans to turn away from the drugs that are ravaging his country.

Despite the inherent advertorial nature of VNRs, they are a fact of TV newsroom life. A 1989 Nielsen study found that 83 percent of local stations used VNRs. Less than half of the news directors polled said it was policy to identify the footage as third party.

Once considered déclassé, VNRs have gained legitimacy. The public relations wire services that carry scripts for VNRs have the same access to newsroom computer systems as news wire services. In fact, Medialink uses the Associated Press wire to alert stations about VNR transmissions. And Transcontinental TV, in which Capital Cities/ABC owns a major stake, solicits VNRs to put on the same satellite channel as ABC News's affiliate newsfeed.

If A.C. Nielsen achieves its goal of enhancing VNR measurement, producers will be able to make their releases even more news-friendly. Nielsen is lobbying the FCC for permission to encrypt VNRs on line 22 (the first line of active video in a TV transmission) so that they can be more accurately tracked. That would make tracking data available down to what frames from supplied material were used. Armed with this information, VNR producers will have a better idea of what works.

The savviest producers already know how to get clearance. Says VNR pioneer Paul Gourvitz, "If I did a VNR for Exxon after the Valdez oil spill, I'd tell them they had to admit they screwed up the environment." Gourvitz, president of Sheridan, Elson & Gourvitz, is referring to a post-Valdez VNR Jack Hilton Productions did for Exxon. The VNR backfired because it focused solely on Exxon's cleanup effort, and was decried as a whitewash by Dan Rather and others.

Exxon's blatant VNR cover-up attempt is rare. Yet even when VNR subject matter is seemingly benign, it's important to remember who signs the check. Despite producers' claims of objectivity, sponsors don't spend thousands of dollars just to lend a helping hand to the fourth estate.

While the Radio-Television News Directors Association has no formal guidelines on VNR usage, president Dave Bartlett says any third-party material should be identified as such. Consumer advocate Ralph Nader charges VNRs are "speeding the homogenization of news and blurring the line between what's on the evening news and what's in the commercial breaks." The litmus test for using a VNR, Nader concludes, may be for news directors to ask themselves if they would air the story if it came out of their budgets. ●

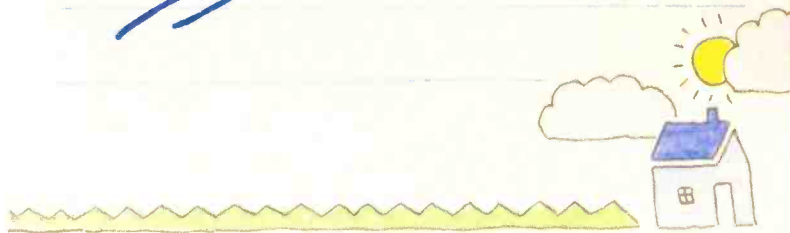


A VNR to announce the retirement of Jesse the Maytag repairman aired on newscasts nationwide.

For The Past 23 Years Millions Have Been Keeping A Date With Phil.

Things to do...

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Appointment viewing. That's what millions of Phil Donahue fans have been doing every day.

No one else has his unique style or takes his responsible approach to the day's top issues. No one else delivers the consistent audiences year after year.

The Phil Donahue Show. The best kept date in America.

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Cable's Got The MERPS

A new generation of cart machines brings smiles to the faces of cable programmers.

BY ROBERT RIVLIN

When they were first unveiled five years ago, large multi-event recorder/player systems (MERPS) were heralded as a boon to broadcasters for use in putting together commercial breaks. The industry had been relying on an outmoded cart technology to run ads and promos, and frequent breakdowns cost broadcasters millions of dollars in lost revenue from missed or miscued spots. MERPS curbed the chaos by fusing sophisticated computer software with faster, more reliable tape-transport mechanisms to create virtually seamless commercial pods.

Few thought that MERPS would prove equally useful for programming playback. But now cable is using the technology to bring greater versatility to network scheduling, create better signal quality (thanks primarily to the D-2 composite digital tape typically used with the machines) and realize labor and cost savings.

Cable rivals Viacom and HBO illustrated that late last year when both installed a number of new MERPS. Viacom, in a multimillion-dollar deal, purchased 6 MERPS machines from Sony for use on the cable networks Nickelodeon, Nick at Nite, MTV, VH-1, Showtime and The Movie Channel. At press time it was undetermined whether HA! The TV Comedy Network, which launches in April, will use a MERPS machine. HBO began using a large Ampex MERPS last November for playback on its basic cable service, the Comedy Channel.

Viacom's Sony Library Management System (LMS) will handle all on-air playback for the networks. Scott Davis,

Viacom senior v.p. of network operations, explains that the previous machines couldn't run any clips shorter than ten seconds back to back. "But with fast-paced networks like MTV or Nickelodeon, we have to go shorter than that," he says. "The five-transport LMS systems offer the possibility of running segments of only seven seconds."

MTV stands to benefit most from the new LMS system. Currently, programmers work with hand-held calculators, trying to make program and bumper segments of differing lengths mesh so that the network comes out clean at the top of every hour. The new LMS software does this automatically. The programmer indicates the names of the segments scheduled to run during the hour and the LMS adds up the running times. The programmer then uses the computer to make changes in the play list, and the final lineup is taken from the computer.

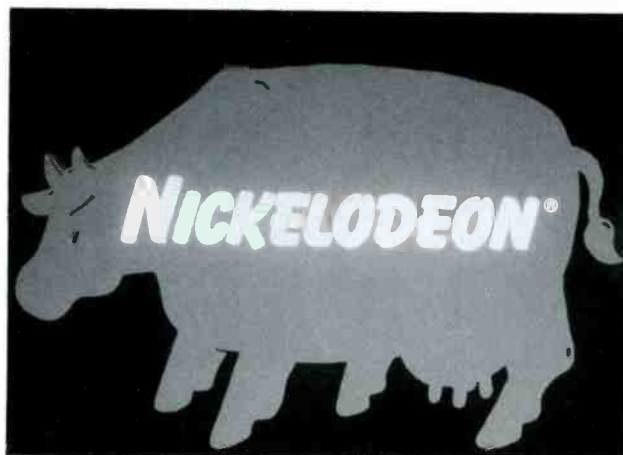
LMS addresses a different need at Viacom's Showtime and The Movie Channel, two pay services programmed with movies. Promo and bumper segments between movies on the two channels often contain the same material. Using simple instructions to the LMS computer, programmers can jumble the order of those elements to create an impression of variety.

Other labor savings come from the LMS as well. With the old system, due to the 10-second back-to-back limitation, many breaks had to be compiled on a master reel beforehand. The LMS systems' seven-second back-to-back capability means that breaks can be rolled directly from the MERPS machine.

In November, MERPS helped HBO launch the Comedy Channel, a 24-hour ad-supported network showing promotional excerpts from current comedy films as well as classic TV shows, stand-up performances and movies. According to Dom Serio, senior v.p. of studio and broadcast operations for HBO, the network uses up to 1,500 elements a day when promos, IDs, billboards and ads are tallied—an impossible volume without MERPS.

In a deal estimated at around \$3 million, the Comedy Channel turned to the Ampex ACR-225 for help, a D-2-based MERPS system that handles 256 30-minute cassettes. Unlike the Sony system, each cassette can hold multiple segments, making it possible to hold a full day's programming on a single ACR-225. The network has three such machines: One is the main programming MERPS, another provides a backup and the third is used to provide inserts on HBO. That kind of automation and support can only make it easier for the Comedy Channel's programmers to crack a smile. ●

Robert Rivlin is a freelance writer specializing in TV technology.



The Sony LMS MERPS enables Nickelodeon to milk its promos more efficiently.

We have a talent

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Host Natalie Cole, today's top-name celebrities and tomorrow's new stars — All on one hot new music show, Big Break.

Big Break introduces the brightest newcomers to today's music scene, combining the best elements of the old-fashioned amateur hour and the production quality of a 1990's music/variety show.

With special performances by Natalie Cole and The Big Break Dancers, you've got a winner every week when *you* pick Big Break.



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HOW SHE IMPROVES
MORE TIME PERIODS
OR GROWING PAINS!
THAN WHO'S THE BOSS
HEAR...

HOW SHE
DOUBLES HH SHARE
IN DALLAS!

SENSE...

THE COMPETITION'S FEAR
AS SHE TRIPLES W18-34
AS SHARE IN SEATTLE!

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RISES TO IN
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HOUSTON, AS SHE
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GET HER
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SOURCE: NIELSEN 10/89 VS 10/88 TIME PERIOD: HH SHARES EXCEPT AS NOTED *ARBITRON

Ally or Adversary?

WLNE and the other stations in Providence-New Bedford wonder what to make of cable.

BY KIRSTEN BECK

Some staffers at WLNE suspect their Providence office is haunted by evil spirits, and not just because it was built on an ancient Indian burial ground. WLNE, a Freedom Broadcasting-owned CBS affiliate, is perennially number three in the four-station Providence-New Bedford market. It is a problem-prone station now struggling to determine the proper stance to take with its local cable competition, a decision facing broadcasters everywhere. Last year, for instance, WLNE mounted an anti-cable advertising campaign while simultaneously producing several programs in cooperation with local cable systems.

Cable isn't its only worry. A year and a half ago, on the day WLNE's hour-long 6 A.M. local news premiered, the station disappeared from the air at 6:50 A.M., thanks to a squirrel's handiwork in the transmitter power station. The day Claus Von Bulow was acquitted, as competing stations carried his press conference live, "WLNE's feed jumped frantically from reporter to reporter standing in front of the courthouse," recalls *Providence Journal* TV writer John Martin. "They had run their antenna cable out through a door, which slammed shut, severing it, and they couldn't find the break."

The station has also had some triumphs—including, according to *Journal* reporter Martin, its superior coverage of last June's oil spill off Newport. Yet even the head of Freedom's station group, Alan Bell, admits WLNE "was born troubled and has had a tough go from the moment it came squalling into existence."

To complicate matters further for

WLNE, there is genuine turmoil in the Providence-New Bedford market. Two of the four stations have changed ownership in the past year, and three—including WLNE—switched rep firms last summer. Three of the four stations have new general managers as well. Aside from John Sawhill, who heads Outlet-owned NBC affiliate WJAR, the market leader, the general manager with the longest tenure in the market arrived five months ago.

In the midst of such change, ad revenues, which had been robust for ten years, dropped painfully in 1989. One station reportedly fell 17 percent behind its 1988 sales levels during the year's first half. "It was as though the market did a 180 degree turn, almost precisely

at the stroke of midnight as the new year came in," says David Herman, v.p. for CBS stations at Blair, WLNE's rep firm until this past July. Even at WJAR, 1989 ad revenues were well behind 1988's, according to Sawhill, and "sales weakened as the year progressed," he says.


Only the ADI's sole indie, WNAC (acquired last June from Price Communications by Dick Appleton and Osborn Communications) experienced a sales increase, and g.m. John Fignar attributes the upturn partly to the fact that his station is growing from a smaller base than the others, having emerged from bankruptcy just two years ago. Fignar estimates 1989 total market revenues will come in 10 percent below '88 levels. "Even if we zero out the \$7.5 million in 1988 political ads that didn't recur in '89, there will still be a drop of one to five percent," he says.

Meanwhile, Providence-area cable systems have been steadily wooing local advertisers, with some success. "Both Colony and Heritage have been fighting like hell to get known and accepted. They just won't give up," says James Duffy, v.p. and media director for Providence agency Duffy and Shanley. Says John Moore, media buyer at local agency Pagano, Schenck and Kay, "Any buy without cable is not a good television buy today."

The last thing WLNE needed in 1989 was for local cable to gain significantly greater agency acceptance. As the realization dawned that national spot was headed for a severe slump, former WLNE general manager Paul Karpowicz recalls, "we concluded the future lies in local sales." Consequently, the station added three people to its local ad



The WLNE news team in New Bedford: Some triumphs, but often bedeviled by mishaps and mistakes.

A vintage television set is shown from a front-facing perspective. The screen is the central focus, displaying the text "IF YOU'RE WATCHING TELEVISION," in a bold, black, serif font. The text is arranged in three lines: "IF YOU'RE" on the top line, "WATCHING" on the middle line, and "TELEVISION," on the bottom line. The television has a dark, possibly black, frame and a control panel at the bottom. The control panel includes a speaker grille on the left, a power button with a red indicator light on the right, and several other buttons and sliders in the center. The background is a plain, light color, and the television is casting a soft shadow on the surface below it.

**IF YOU'RE
WATCHING
TELEVISION,**



TRUMP CARD
Debuting This Fall.
A Createl Ltd. and
Fiedler/Berlin Production



**VOICES OF AMERICA
WITH JESSE JACKSON**
Debuting This Fall.
Produced by Quincy Jones Productions
in association with
Jesse L. Jackson Sr. Productions Inc.



FULL HOUSE
Available For Stripping
A Miller/Boyett



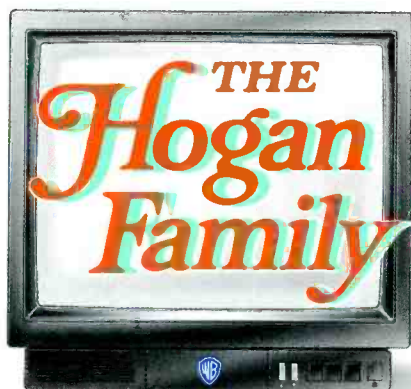
LOVE CONNECTION
Entering Its 8th Year.
An Eric Lieber Production



**MERRIE MELODIES STARRING
BUGS BUNNY AND FRIENDS™**
65 Half-Hours Debuting This Fall.



**STEVEN SPIELBERG
TINY TOON ADVENTURES**
65 Half-Hours Debuting This Fall.



THE HOGAN FAMILY
Available For Stripping Fall '90-'91.
A Miller/Boyett Production



PERFECT STRANGERS
Available For Stripping Fall '90-'91.
A Miller/Boyett Production



PREMIER EDITION
28 Proven Shows

*If You're Watching
Your Watchin'*



Have you got your glasses on? Good. Then let's talk about the serious business at hand. The bottom line. Put in broadcasting terms, that means viewership, audience loyalty and profits. They're precious commodities. And in our competitive arena, they're not easy to come by. So, how do you capture them? It takes vision. And, one way to predict what people will watch in the future is to observe what they're watching now. And

JUST SEE FO

THIRD
Entering I
Produced by
in association with E

MAMAS FAMILY
130 Half-Hours For Stripping.
A Joe Hamilton Production

THUNDERCATS
130 Half-Hours For Stripping.



ALVIN & THE
65 Half-Hour

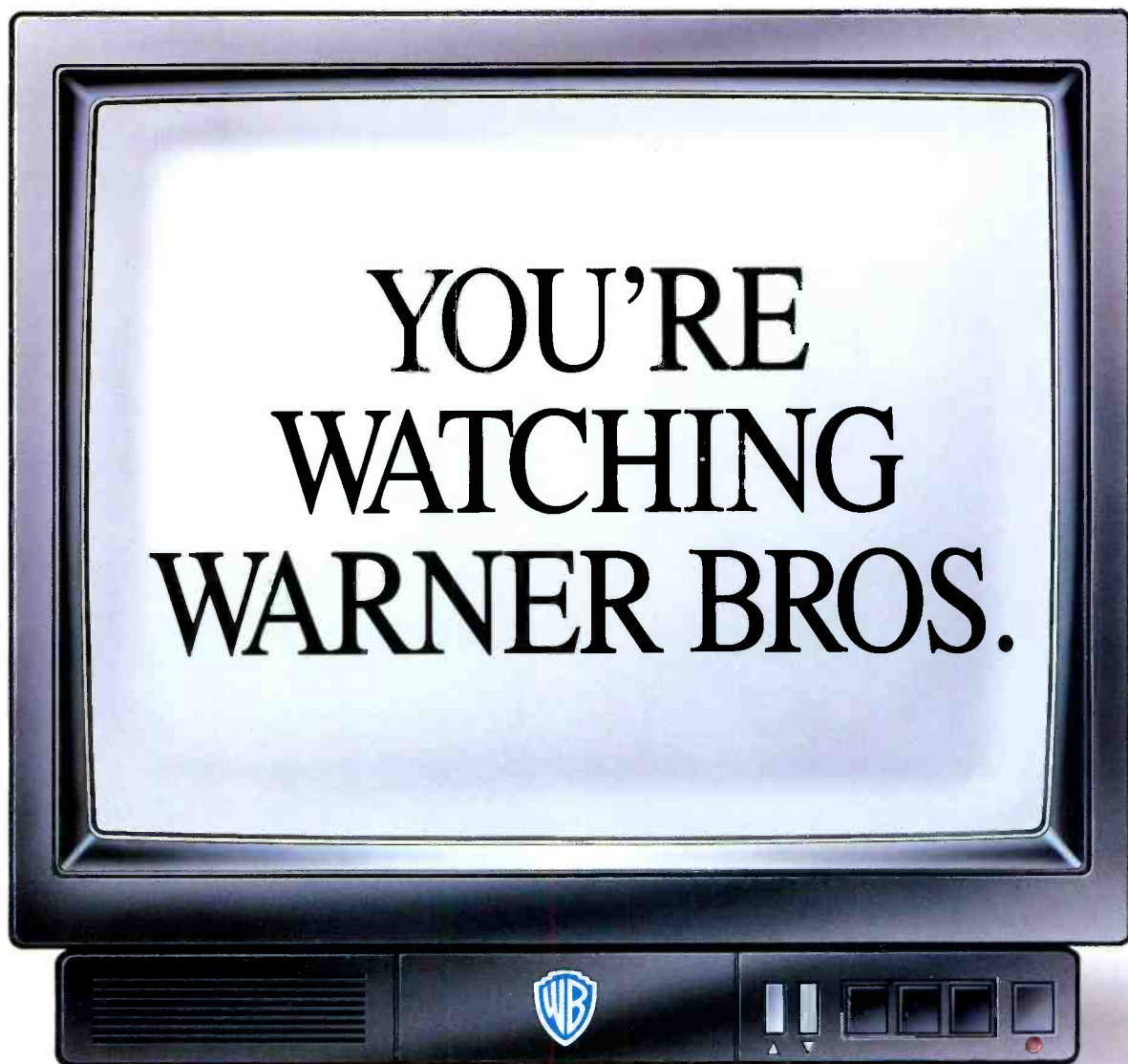
NIGHT COURT
171 Half-Hours For Stripping.
A Starry Night Production

GROWING PAINS
138 Half-Hours For Stripping.
A Guntzelman Sullivan Marshall Production



For an incredible depth of
quality programming that can reach
your audience at any time, just
focus your attention on Warner Bros.

**YOU'RE
WATCHING
WARNER BROS.**



R YOURSELF.

that's Warner Bros. and the Warner Bros. depth of quality programming. From long-running first-run strips to off-network sitcom hits. In movies or animation. For adults, teens or kids. Once a week or once a day. Warner Bros. offers a range of programming with track records you can rely on. So, if dependability is what you're looking for, our past and current performance is your assurance of future success.

Set your sights on the decade ahead. Talk to Warner Bros. We're the distributor to align yourself with in the '90's.

*King Television,
Warner Bros!*



DEGREE
2nd Year.
Kline & Friends
Burt & Bert Productions



FREDDY'S NIGHTMARES
Entering Its 3rd Year.
A New Line Cinema Production in
association with Stone Television



© 1989 The New Line Home Video

N.I.W.S.
Entering Its 10th Year.



CHIPMUNKS
For Stripping.



© 1989 Bagdasarian Productions

FUN HOUSE
Entering Its 3rd Year.
A Stone Television Production



COLLEGE MAD HOUSE
Entering Its 2nd Year.
A Stone Television Production





HOUSE
Stripping Fall '91-'92.
A Shukovsky English Production



MURPHY BROWN
Available For Stripping Fall '92.
A Shukovsky English Production



THE PEOPLE'S COURT
Entering Its 10th Year.
An Edwards/Billet Production



TOON ADVENTURES™
Debuting This Fall.



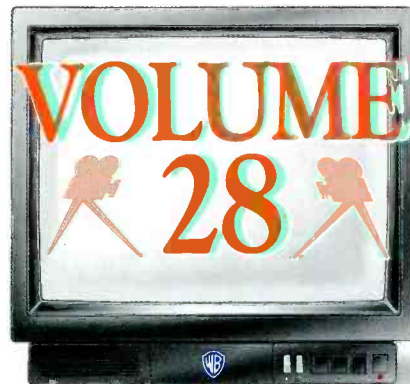
ALF
Available For Stripping Fall '90.
Alien Productions



HEAD OF THE CLASS
Available For Stripping Fall '90.
Eustes/Elias Productions



PREMIERE EDITION I
25 Features.



VOLUME 28
28 Box Office Champs.



PREMIERE EDITION II
25 Movies For The Sweeps.

HERE ARE THE PEOPLE WHO CAN SHOW YOU MORE.

DOMESTIC SALES

Dick Robertson

FIRST-RUN

Scott Carlin

Mark Robbins
Jeff Hufford

Rod Cartier
Bill Hague

Jacqueline Hartley

Jillian Lines
Mary Markarian
Mark O'Brien
Alicia O'Neill
Damian Riordan
Eric Strong
Ed Wasserman
Andrew Weir

OFF-NETWORK

Keith Samples

Rob Barnett
Jeff Brooks
Jim Burke
Bruce Genter
Steve Knowles
Vince Messina
Chris Smith
Mary Voll
Scott Weber

INTERNATIONAL SALES

Michael Solomon

Stuart Graber
Jeff Schlesinger
Jorge Sanchez

FEATURES

Bill Hart

MEDIA SALES

Karl Kuechenmeister

Jim Engleman
Jim Harder
Julie Kantrowitz
Leon Luxenberg
Marc Solomon



**WARNER BROS.
DOMESTIC TELEVISION
DISTRIBUTION**

sales staff. Karpowicz doubled the sales training budget and brought in consultants to help develop sales strategies.

At the end of last summer, Karpowicz left Providence to become general manager of CBS affiliate WISH in Indianapolis, leaving behind a revitalized sales force. WLNE's new g.m. is Ed Ivey, who moved to Providence from Freedom's Medford, Ore., station.

Ivey set out to address weakness in WLNE's program schedule by acquiring *People's Court* and *Family Feud* to play at 5 and 5:30 P.M., moving back an afternoon "Dialing for Dollars" movie. In access, he paired *Hard Copy* with *A Current Affair*, dropping *Love Connection*. Ivey is a cautious buyer, however. "I will not be robbed, nor will I lose money in a time period," he asserts.

A former journalist, Ivey also devoted considerable energy to revamping the station's 6 P.M. news, which WLNE will relaunch this month. The station has also become increasingly events-oriented in its promotion. From baseball clinics for kids to a Newport shore clean-up campaign, there was an increase of approximately 50 percent in local event sponsorships during 1989.

"Go local" seems to be the motto for the market's affiliates. Says Bob Finke, vice president and general manager of ABC affiliate WPRI, which Narragansett Capital acquired from Knight-Ridder last June: "News, news, news and local, local, local is our priority." WPRI's solid second-place standing in the market was shaken last May, when—in spite of attention-getting syndicated fare such as *The Cosby Show*, *Cheers*, *Oprah Winfrey*, *Wheel of Fortune* and *Jeopardy!*—its afternoon and early evening ratings fell in both the Nielsen and Arbitron books. The decline continued through the July sweeps.

Trying to win ratings in Providence with pricey syndicated programs must occasionally seem an exercise in frustration, since the market regularly loses viewers to Boston signals spilling in over the air or via cable with the same shows. WJAR's Sawhill estimates as much as 25 percent of Providence viewing goes to Boston stations. Syndex will help, but it won't stop over-the-air competition.

Given these challenges, and the local sales downturn, it's no surprise some broadcasters decided to take a swipe at the cable upstarts early last year. WLNE used anti-cable materials supplied by its rep firm, Blair (since replaced by Petry), and WJAR mailed out

tailored versions of materials supplied by the Television Bureau of Advertising. In essence, the presentations argued that cable ratings and reach are insignificant compared with broadcast performance in the market.

Cable executives' first reaction to the broadcasters' attack was alarm. But ad sales managers at both the Colony interconnect (which sells ads for three systems owned by Colony, Cox and Times Mirror) and at Heritage Communications (which broke away from the interconnect to sell on its own two years ago) now say they believe the campaign did cable more good than harm. "I finally ended up calling the general manager over at WLNE to say thank-you because of the exposure the attack brought to cable," says Colony

about to bite the hand that can move his station "to the thirteenth tier" on a cable system, since he depends on cable to ensure reception of his UHF signal.

Cable also helps WLNE relay its signal in some parts of the market, but the cable-WLNE relationship is a bit more complex. WLNE's antenna sits in Tiverton, R.I., sending a transmission that is hard to receive in certain parts of Providence. WLNE operates three low-power TV stations as translators, one in the Providence area and two in Bristol County, Mass.

For the two Massachusetts low-powers, WLNE has a local news-sharing deal with two Colony Cable systems in Bristol County. WLNE pre-empt the *CBS Evening News* on the low-power stations, substituting

PROVIDENCE-NEW BEDFORD OVER THE AIR

Market rank: 44

Cable penetration: 61%

VCR penetration: 75%

STATION/ OWNER	PRIME TIME AVG. RATING / SHARE*	SIGN-ON TO SIGN-OFF AVG. RATING / SHARE
WJAR (NBC) Outlet Communications	15/26	8/28
WLNE (CBS) Freedom Broadcasting	10/17	4/14
WNAC (FOX) Northstar TV Group	2/3	1/3
WPRI (ABC) Narragansett Capital	14/23	6/22

*Mon.-Sat. 8-11 P.M., Sun. 7-11 P.M.
All ratings, cable and VCR data courtesy of Arbitron, October 1989.

sales manager Camilla Spliid.

Agency v.p. Duffy recalls that the broadcasters' attack hit "like World War III," continued for about two weeks with phone calls, meetings and counter-arguments, and was capped off by an advertiser lunch hosted by Heritage sales executives. But, he laughs, "After two weeks, I'll bet not five agency people in Providence could remember what had happened."

Local cable ad sales continue to mount in the market. Colony Interconnect and Heritage together reach approximately 37 percent of the homes in the ADI. Colony's Spliid says in spite of the market downturn, the interconnect's 1989 ad sales were ahead of 1988's, though not by as much as she had predicted. Ken White, Heritage ad sales manager, says his company's sales were up 19 percent over '88 levels.

Cable is not yet inflicting heavy damage on broadcasters' revenues. Nonetheless, says WNAC's Fignar, "Cable is taking dollars out of my pocket. I hate it!" But he says he's not

Colony's daily half-hour news. In return, the Colony systems carry WLNE's local news on their local-origination channels and pick up the *CBS Evening News*.

An on-air promotion spot for the joint programming was made by WLNE news anchor Dave Layman, according to Karpowicz, who wasn't sure he should even call the spot a "promotion." Karpowicz admits that, given the station's anti-cable advertising stance, he has to be careful lest he meet himself coming and going on the issue of promoting local cable viewing.

Colony's Bristol county sales manager, Mark Gosciminski, says the first-quarter anti-cable campaigns had no impact on his sales and didn't affect his company's attitude toward swapping local news. "We saw it as an opportunity," he says.

WLNE has so far been able to balance its cooperative programming with its anti-cable sales pitch. But cable may not want to hang around for long with a partner that's bad-mouthing its business at every opportunity. ●



We're the name behind great programming.

We're the name behind series' strength with INSPORT

INSPORT's network-quality blend of sports and entertainment has set new standards in weekend performance. For year two, you can expect even more secrets from behind the scoreboard. More tell-all interviews with sports superstars. More fast-paced action and excitement. More of what's made INSPORT the definitive network sports adjacency and late night franchise. With hosts Ahmad Rashad and Robin Swoboda.

We're the name behind innovative event programming with THE HORROR HALL OF FAME™

The two hour, primetime tribute to terror honors the creatures and creators who've made horror a screaming sensation. Classic film clips. Behind-the-scenes segments. Revealing stories and more. Plus, the induction of 13 horrifying honorees into THE HORROR HALL OF FAME. It's a night of fright you'll never forget. Premiering Halloween 1990.



We're the name behind exclusive Zap-Busting VIGNETTES

Our innovative short-form programs wrap around spots to make sure commercials are seen...and remembered. We're the leader in interstitial entertainment, with a program for virtually every advertising category. From movies and music. To comedy. Fashion. Health. And more. We'll even create custom vignettes

for exclusive national sponsorship. If you're looking for impact, value and improved viewer recall, look to Select Media. We'll give your commercials the attention they deserve.

So when it comes to your programming success, remember it's all in the name—our name—Select Media.

See us at NATPE, Booth 723



In Their Hour of Need

Studios say the off-net hour market is unusually soft. Compared to what?

BY NEAL KOCH

Gary Gannaway surprised a lot of people by clearing 87 percent of the country with *Highway to Heaven*. But they weren't surprised when *Highway* failed to meet the 4 rating Gannaway's Genesis Entertainment had guaranteed to national advertisers.

Hours are a hard sell because studios try to make up in syndication the substantial deficits they incur producing hour-long shows for the networks. Stations, however, won't pay top prices for a mediocre performer no matter how much it cost to make, and few off-net hours generate ratings good enough to justify hefty price tags. The result: a weak market for hours. The studio party line is that the hour aftermarket is only temporarily soft. The truth is it's always been that way.

Publicly, studios treat the allegedly temporary nature of the market's softness as fact, citing it as a primary reason for their failure to achieve better profit margins. They claim that a fickle market ruined their plans to make fortunes on series that proved popular in prime time and that studio executives touted to stockholders as proof of managerial skill. Luckily, they say, growing foreign and basic-cable markets will make up these shortfalls.

So much for the illusion. It's not their innocence about the hour market the studios have actually lost over the last couple of NATPEs. It's the federal Investment Tax Credit. The ITC had taken the sting out of production deficits for producers. Had studios been less dependent on this largess, which they lobbied out of Uncle Sam, money from foreign and cable program sales would

be flowing more directly to their bottom lines now.

The sole extended period during which the hour aftermarket could be considered strong was an 18-month window in 1984 and '85 that peaked with the sale of *Magnum, P.I.*, estimated by Paul Kagan Associates at \$1.75 million an episode. "In the history of television," confirms Garth Ancier, president of production for Walt Disney Studios, "there have never been that many successful hours." For instance, says one authoritative source, network powerhouse *Bonanza*, now a cable staple, had only marginal success when it debuted in syndication in the early '70s. Neither 20-year network veteran *Gunsmoke*, nor one of the most violent detective shows of its time, *Mannix*, ever gained full distribution. And even when the sell was sex in the early '80s, prime-time

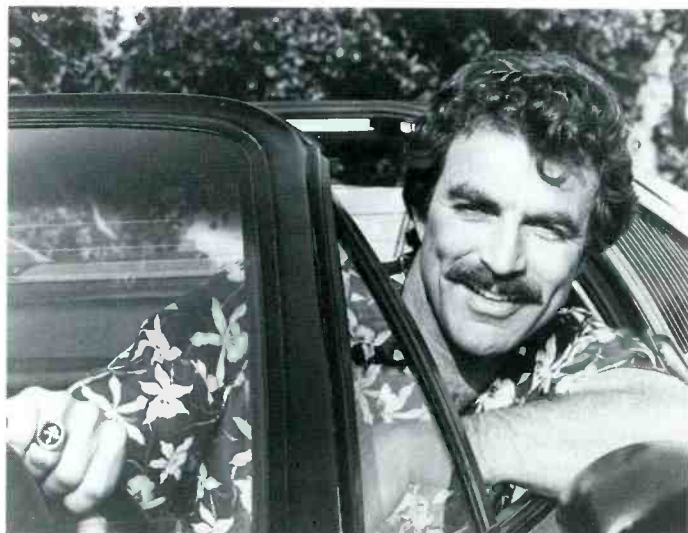
success didn't translate into a long afterlife for *Charlie's Angels*.

What has changed since 1986 is the ITC, one of the producers' most important sources of cash. Hollywood studios weren't the only ones benefiting from the ITC. All taxpayers were entitled to it. The fact that the 1962 ITC was originally intended to encourage the purchase of new manufacturing equipment, however, didn't stop Hollywood from finding creative applications. By 1971, congressional lobbying and lawsuits established its applicability to TV shows and film.

Before it was eliminated by the Tax Reform Act of 1986, the ITC provided producers with tax credits of 6 2/3 to 10 percent of the total U.S. production cost required to make a TV show or film negative. On the average hour show today, it would be good for between \$73,000 and \$110,000 an episode. "The ITC made the hour [series] format possible," says Valerie Cavanaugh, a business affairs consultant to Columbia Pictures Television. "Without it, it was death and destruction."

So why make hour shows today—and why keep the inherently weak nature of their aftermarket a secret? First, hour programs give studio executives a way to show stockholders they're on the prime-time schedule. Second, the productions spread the carrying costs of an expensive studio lot—the executive domain and a source of status. Third, hour shows give studio execs means to form and maintain relationships with key writing-producing talent, which helps draw other talent to the lot. It's also common for execs, when leaving their studio jobs, as they inevitably do, to score lucrative independent production deals. Making their fortunes with those deals often depends upon their relationships with key writer-producers. ●

Mid-'80s sales of *Magnum, P.I.* mark one of the few bright spots in off-net hour syndication.



GET ON THE HIGH ROAD.

Inside Edition. Taking you in the right direction for the 90's: Up!

Time Period Share Increases 11/89 vs. 11/88.

Boston/WNEV	4:00PM	up 44%
Dallas/KXAS	6:30PM	up 80%
Atlanta/WAGA	4:00PM	up 25%
Tampa/WTVT	11:30PM	up 24%
St. Louis/KSDK	4:00PM	up 63%
Hartford/WFSB	7:00PM	up 71%
Milwaukee/WITI	6:30PM	up 100%
Cincinnati/WLWT	7:00PM	up 40%
Cleveland/WKYC	5:00PM	up 38%
Kansas City/KMBC	6:30PM	up 38%
Buffalo/WIVB	7:30PM	up 33%



INSIDE EDITION

PRODUCED AND DISTRIBUTED BY

KINGWORLD

THE CLEAN AIR ACT OF THE 90'S™

SOURCE: NSI NOV '88 AND NOV '89.
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NATIONAL ADVERTISING BY
CAMBIOT
A KING WORLD COMPANY

THE
WAKE UP CALL
YOU CAN'T
AFFORD
TO MISS.



Kids' television rockets into the 90s with Wake Rattle & Roll—the all-new, first-run, half-hour strip that makes getting up for school fun and exciting.

It's fresh. It's different. And it's the only program for kids that combines colorful animation with live action.

It's also the first project created

for Hanna-Barbera by its new head David Kirschner, creator and co-executive producer (with Steven Spielberg) of the smash hit animated film "An American Tail," and producer of the hit film "Child's Play."

Wake Rattle & Roll. The wake-up call you can't afford to miss. Coming Fall 1990 from Hanna-Barbera.

Hanna-Barbera

P R E S E N T S



COMING FALL 1990



WORLDVISION
A UNIT OF SPELLING ENTERTAINMENT INC.

Advertiser-supported
programming



Television Goes Public

Even the briefest glimpse of the television industry's 1990 agenda reveals the underlying issues that are likely to dominate debate for the rest of the decade. Simply put, those issues are concentration of power and access to product and consumers.

As the year opens, most of TV's major players—companies ranging from Time Warner to General Electric to Tele-Communications Inc.—are moving deliberately to gain strategic advantages through vertical integration. Each is acquiring or would like to acquire the missing links in a chain of production and program distribution businesses that would feed product through to its consumer base, be the consumers network viewers (GE) or cable subscribers (TCI). They're scrambling to do so because there can be little doubt that the government will soon begin a vigorous review of the renewed integration of media businesses. Ultimately, as consumers come to appreciate how the TV industry works,

Keep a close watch on debates over concentration of power and access to eyeballs. They're the issues of the future.

they'll want to know why they're getting certain networks and stations and not others. They'll be addressing their complaints to their elected representatives in Washington.

In the Senate, for instance, mainstream legislators are already considering the introduction of reregulatory bills that would force TCI and Time Warner to either divest cable subscribers or give up network holdings. Think for a moment about what the mere consideration of such steps means. It represents a first step in the slow abandonment of the Reagan deregulation philosophy, a tough approach to the cable industry's perceived power that would have been unthinkable during the mid-'80s love triangle between President Reagan, Congress and the voting public.

The second set of strategic issues involves access to eyeballs. On that front as well expect fireworks long before the end of the decade. One of the focal points here will probably be the must-carry quagmire. Unfortunately, officials on all sides of the must-carry mess have made every effort to keep the inside-the-beltway debate about

the carriage rules just that—a private argument off-limits to all but senior industry management, their lobbyists and cronies. But time is running out for the D.C. gang. Just over the horizon, if the must-carry squabbling continues, is a set of issues that could threaten the very fabric of the television business.

From a business point of view, imagine the character of the transactions between cable operators and local and regional commercial and public TV stations in a world where carriage is totally negotiated, where cable penetration in cities is high and where the very ability of viewers to receive local stations comes into question. What would develop is a breed of transactions ultimately harmful to all involved.

Imagine the jockeying and payment schemes that would evolve if well-heeled network affiliates get into bidding wars with each other for carriage on important local cable systems. Will the NBC affiliate offer to pay just a bit more in exchange for the cable operator dropping the ABC affiliate? What if the Discovery Channel were to charge the operator just a bit less in exchange for the system's junking of all public television stations? The permutations are endless in a world where the proliferation of networks is theoretically limited only by cable channel capacity.

On both these issues, the television industry needs leadership to move forward. That means new kinds of creative, constructive relationships among business executives, and between business, congressional and regulatory officials. It is also important that these debates about concentration of power and access, like the continuing fight about telco entry into cable, be looked at in a broader perspective. Groups who are regularly omitted from Washington's closed-door policy-making will have to be included this time.

That's because the federal government's television policies are increasingly important to the nation's social fabric. TV policy affects information distribution and education as much as entertainment. Television can also make a vital contribution to the easing of the country's balance-of-trade predicament.

It's time, therefore, for industry executives and government officials to take it upon themselves to frame the issues of concentration of power and access to services in a larger context, a context relevant to the general public. It is in the public interest as well as the self-interest of the television business for it to keep the peace with its millions of consumers. Increased industry attention to the issues of concentration of power and viewer access is merely a start. ●

**JOHN PALMER
BRINGS YOU
THE MOST
POWERFUL STORIES
OF OUR TIME
TOLD BY
THE PEOPLE WHO
WERE THERE...**



ONLY YES



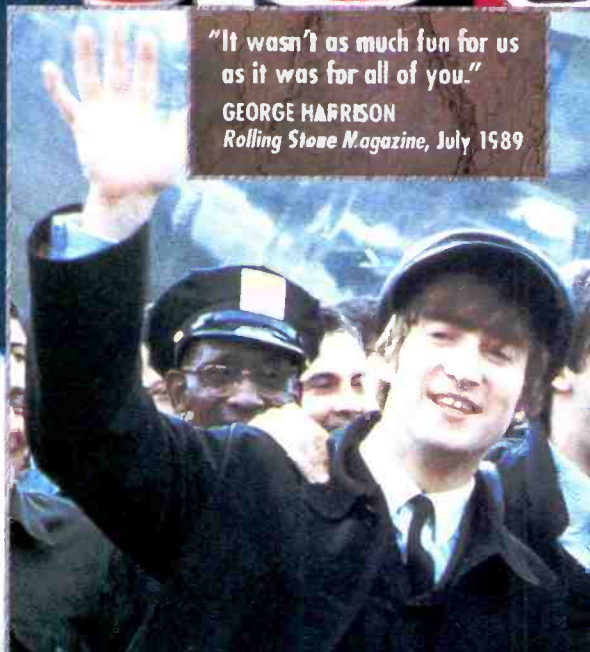
"Ecstasy isn't strong enough. We beat the Russians!"

MIKE ERUZIONE, Captain U.S. Hockey Team
Washington Post, February 1980



"It wasn't as much fun for us as it was for all of you."

GEORGE HARRISON
Rolling Stone Magazine, July 1989



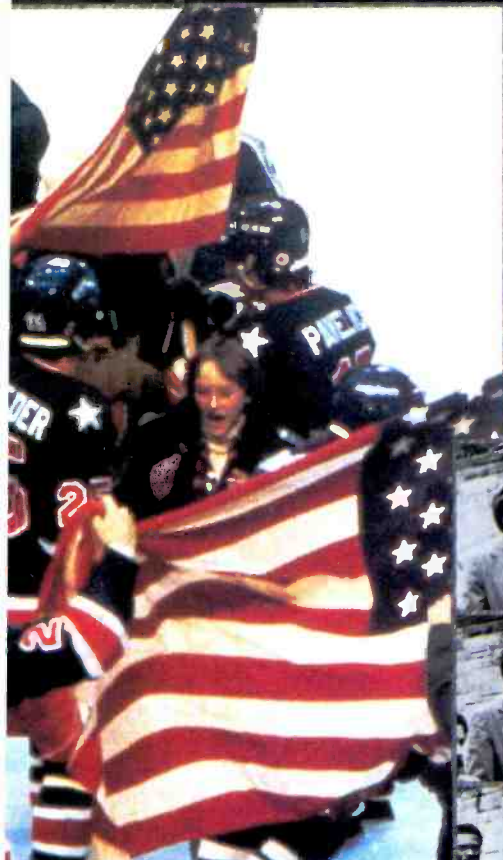
"I wish I had been Superman, so I could have saved them."

DALLAS 4th GRADER
LIFE Magazine, January 1986

PREMIERING SEPTEMBER 1990

YESTERDAY

TM



"My father believed in educating girls. I wish that had been the philosophy of my wife's family."

PRINCE CHARLES
"Charles." Biography
by Anthony Holden



"Twice they came up to me and said they couldn't find a pulse."

NANCY REAGAN
Press Association, England



"I found a buddy's name on the wall. I took my purple heart off my jacket & the American Flag patch and left them there. That's all I could give him."

JOHN WISDOM, USMC
Associated Press, November 1984



NATIONAL ADVERTISING BY
CAMELOT
ENTERTAINMENT SALES
A KING-WORLD COMPANY

DISTRIBUTED BY
KINGWORLD
The Clean Air Act of the 90'sSM

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The new Warner Bros. Domestic Television Distribution assembly: (back row, from left) Dick Robertson (president), Jim Moloshok (creative services), Leon Luxenberg (administration), Karl Kuechenmeister (media sales), Bruce Rosenblum (research); (front row, from left) Keith Samples (off-network), Bill Hart (feature films), Scott Carlson (first-run).

West Coast TIME

Today the sun shines bright and his opportunities seem unlimited, but Dick Robertson's career selling television shows began on the outskirts of respectability a dozen years ago. For an office he shared a 10-foot by 10-foot storage room covered in garishly flowered orange wallpaper that seemed to close in on the room's one desk—a cracked formica-topped number. The ground-floor office was in a building selected because it sat just inside the Beverly Hills postal district, providing an impressive mailing address for the fledgling Telepictures Corp. The first of the roommates to arrive in the morning would claim the desk, leaving the other to sit in an old airline chair. "I ruined many pairs of slacks sitting on that desk," recounts Robertson's old roommate, David Salzman, now president of Lorimar Television. Still, "Even though I lived further away, I would get in first, and I would eat lunch at the desk. I wasn't going to give that up."

Today, with Lorimar Telepictures now part of the recently formed Time Warner, the world's largest media conglomerate, many in the industry are wondering how far Robertson can take the new Warner Bros. Domestic Television Distribution operation, which he heads—and at what cost to competitors, customers and the public. "We're a much more powerful product together," says Michael Fuchs, chairman and CEO of Time Inc.'s Home Box Office, operator of the nation's largest pay-cable movie service.

To be sure, it's too early for precise answers. Top-level insiders at both Time and Warner say that in the merger negotiations, Time officials regarded the value of Warner's television syndication operation primarily as a steady source of cash flow for the studio in the face of its less predictable returns from feature film production. (Lorimar was acquired by Warner Communications in 1989 prior to the Time-Warner merger.) In addition to syndication, Time officials regarded home-video releases and international cable ventures (especially international versions of its cable programming services) as the studio's main areas for growth and cash-flow predictability. Cross-pollinations with Time operations—such as making syndicated television shows out of Time's magazines, including *People* and *Sports*

Time Warner, that is. Dick Robertson and his syndication team are best bets for making merger synergy really work.

By Neal Koch

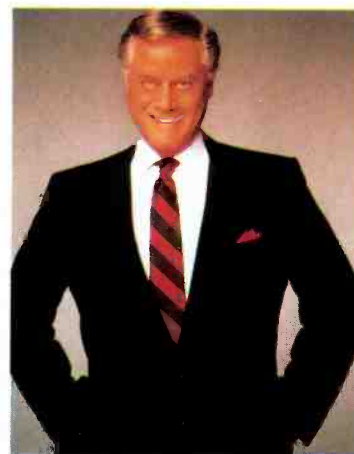
Illustrated—were secondary considerations, at best. “I have difficulty with the word ‘synergy,’” explains one authoritative Time official. “All that’s good, but that’s a by-product.” Another key official said that as of November Warner executives had not yet even had time to sit down and think through any possible Time tie-ins with the company’s syndication arm.

Nevertheless, at Warner, which encourages independent, entrepreneurial centers either within or associated with the company—such as David Geffen’s record and film company—perhaps no area has greater immediate opportunities for work-

ing out profitable relationships with Time divisions than the Warner television syndication operation. Time brought to the merger the nation’s premier pay cable service, Home Box Office; the second-largest cable operator, American Television & Communications (ATC); leading book publishers; and a sterling magazine group, with titles ranging from *Fortune* to *Working Woman*.

Last year, well before the merger was completed, Warner began supplying programming—primarily clips from Warner movies—to Time’s new HBO basic-cable Comedy Channel, which

launched last November. Also last year, Robertson eagerly began exploring the sale to domestic broadcast stations of off-HBO product, including series such as *1st & Ten*. And decisions were made for Robertson’s counterpart at Warner Bros. International Television, Michael Jay Solomon, to distribute made-for-HBO films from the HBO Pictures and HBO Showcase banners. “We see a lot of tie-ins,” says Fuchs.



Dallas: TV shows kept Lorimar afloat.

Consider some other possibilities. Last November, in a major contract settlement involving film producers

Peter Guber and Jon Peters, Warner obtained the right to distribute to basic cable Sony’s Columbia studio library of feature films, miniseries and movies of the week. While Fuchs denies it, industry analyst Gordon Crawford, senior vice president of Los Angeles-based Capital Group, which holds almost 6 percent of Time Warner’s stock, says, “It’s fairly clear that this company is ideally positioned to launch their own basic cable network. You know Michael Fuchs wants to do more basic channels. They’ve said that. It’s a priority for them.”

Similarly, Warner could supply theatrical movies and off-network series for new Time Warner foreign programming outlets that could include cable, broadcast and satellite distribution. Lately, Time and Warner each have been taking equity interests in non-U.S. outlets, such as Warner’s first investment in a foreign-based pay television service, Scandinavia’s SF Succé, which was set to carry Warner programming following its scheduled launch last December. “Clearly,” says Edward Bleier, Warner Bros. president of pay television, animation and network features, “[Time Warner co-CEO] Steve Ross, [Time Warner president] Nick Nicholas and [Time Warner co-CEO] Dick Munro have said that the overseas ventures are probably the company’s highest priority.”

Warner could also create original series for HBO, as well as distribute new HBO-produced series created specifically for syndication. “As the [Time Warner] relationship solidifies and things shake out,” says Robertson, “there are all different kinds of possibilities that exist.”

But not everyone is so excited. Many U.S. television stations fear that Time Warner’s plans call for using the Warner library to program local cable channels, producing unregulated competitors. Their fear was first sparked by Time’s ATC cable division—already the country’s second-largest multiple system operator before Time gained the extensive Warner systems—when it launched one such effort in Rochester, N.Y., last year. The local channel bought rights to some Warner shows, including *ALF*. (The only over-the-air independent in the market is WUHF, owned by ACT III Broadcasting, a sister company of ACT III Publishing, which owns *Channels*.) Few stations seemed mollified by ATC and Warner’s denials of designs beyond Rochester. And analyst Crawford says other likely sites for ATC local cable channels are Orlando, Fla., Austin, Texas,

What’s On, Doc?

The Lorimar-Telepictures first-run family takes up residence with Warner Bros.

SHOW	TERMS	AVAILABLE EPISODES*
NEW FOR FALL 1990		
Voice of America with Jesse Jackson**	Barter	40
Trump Card	Cash + Barter	170
ALF	Cash	98
Head of the Class	Cash	88
Hogan Family	Cash	97
Perfect Strangers	Cash	100
Merrie Melodies	Barter	65
Tiny Toon Adventures	Barter	65
ON THE AIR (First-run, 1989-90 season)		
College Mad House	Barter	26
Freddy’s Nightmares**	Barter	22
Fun House	Barter	135
Love Connection	Cash + Barter or Barter	195
Mama’s Family	Barter	25
People’s Court	Cash + Barter or Barter	195
3rd Degree	Cash + Barter or Barter	170
FROM THE VAULTS†		
Alice	Cash	202
Dallas	Cash	222
Dukes of Hazzard**	Cash	147
Growing Pains	Cash	114
Here’s Lucy	Cash	144
It’s A Living	Cash	120
Matt Houston**	Cash	68
Night Court	Cash	101
MOVIE PACKAGES*		
Volume 28 (28 features, including Beetlejuice, Gremlins, Lethal Weapon and The Dead Pool.)	Cash (7 barter titles)	
Premiere Edition (15 features, including Action Jackson and Running on Empty.)	Cash (6 barter titles)	
Volume 27 (18 features, including The Goonies, Mad Max: Beyond Thunderdome and Police Academy II & III.)	Cash	
Mint Edition (25 titles, including Act of Vengeance and The Morning After.)	Cash	
22 Karat (24 titles, including S.O.B., The Betsy and Being There.)	Cash	

† Partial list.

* For first-run shows, episodes per season; otherwise total available episodes.

** Denotes hour-long show; all others half hour.

Source: Warner Bros.

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Relaxing an Iron Grip

Dick Robertson, 44, having pushed his way to the top of his profession through flamboyant, extremely aggressive salesmanship, is now struggling to make peace with himself and his world.

The son of a radio and TV announcer, Robertson started in advertising right out of high school, putting himself through college selling local airtime for a Richmond, Va., TV station and eventually holding various sales management positions at NBC and CBS. He says he left CBS in 1978 out of a burning desire to run his own company. He hooked up as a senior vice president with the fledgling Telepictures company, where he shared an office with David Salzman and so quickly alienated the secretary they shared that he had to pass his orders through Salzman.

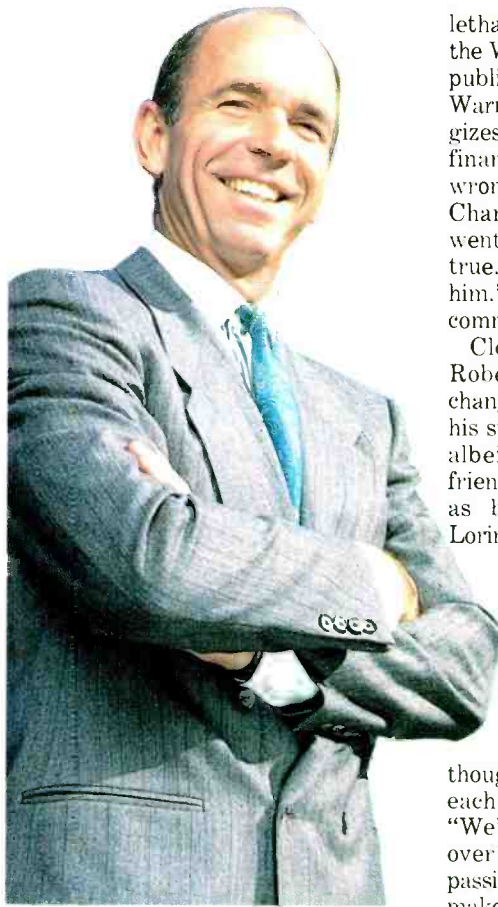
By his own account and those of associates, Robertson is mercurial, compulsive and stubborn, has a driving need to feel in control and hates to lose. But Robertson says he began a reformation nearly four years ago, in response to the demands of colleagues for more autonomy and room to grow and after falling into a depression following the end of what he calls "a disastrous second marriage." Robertson says he reevaluated his life and decided to change. For example, he says, "I used to approve *every* sale by the company—and I used to write it down in a book, by hand. I wanted to stay in control. I very slowly let

go of that iron grip. Something had to give, otherwise I would have lost good people. After I realized the whole world wouldn't crumble if I let go, it became easier.

"I'm still a real detail maven," he says. "I always want to know what's going on. But I don't change somebody's course of direction unless something's going to get screwed up. . . . I've gotten so much better. But I've got a long way to go. I [still] become intolerant when I sense that people don't care as much as me about reaching our goals."

Concerns about his health and general physical well-being also led to big changes. Among other things, Robertson says he learned that he was hypoglycemic, which can lead to sharp mood swings. The chronic traveling salesman cut his time on the road from more than half the year to just two months, and he says he now eats no sugar, drinks no alcohol and exercises every day of the week for an hour and a half, often with a personal trainer. He even built a gym in his Malibu beach house, one of three homes. He kayaks, bicycles, lifts weights, skis and swims. "I feel like Mike Tyson driving down the Pacific Coast Highway. So I'm more mellow now," he says, adding with a laugh, "though some people here may disagree."

He now also apologizes for—by his own admission—having denigrated to industry colleagues his most likely competitor for the job of running the merged TV operation, Charles McGregor, who used to head Warner Bros. syndication. With the Lorimar-Warner merger, McGregor was moved upstairs to become executive vice president for corporate projects of Warner Bros. Inc. In the shakeout following the Lorimar merger announcement Robertson had accused McGregor of



lethargically settling for low prices. But the Warner culture strictly prohibits such public criticism by its executives. Now a Warner official himself, Robertson apologizes. He says he has seen the division's financial books and, he admits, "I was wrong, and I feel kind of badly about it. Charlie got a bad rap on this when he went out because of his style. But it ain't true. It must have been frustrating to him." McGregor could not be reached for comment.

Clearly there is no suggestion that Robertson has undergone a complete change of character. He still intimidates his staff and fights loudly with Salzman, albeit within the boundaries of their friendship. "These guys know each other as brothers," says David Stanley, Lorimar Television's executive vice president for business affairs. "Some-

times they agree, sometimes they yell and shout at each other, sometimes they put their arms around each other. But ultimately they're very protective of each other." Says Salzman—who no longer shares a desk with Robertson,

though the two still wander in and out of each other's offices without warning—"We've had fierce, volcanic arguments over business because we're both very passionate, emotional people. . . . Dick can make snap judgments and is more of a black-and-white person—it's either terri-

ble or great—and I'm more of a gray person . . . and yet, we tend to come out agreeing almost all the time."

Robertson also continues to struggle with another compromise—no longer being his own boss since Lorimar Telepictures sold out to Warner. Robertson had become an owner and director of Telepictures, maintaining that status through the merger with Lorimar as he became one of four officials in a newly created entity, L-T's office of the president. Robertson says that now he technically reports to Bob Daly, Warner Bros. chairman and chief executive officer. But on a day-to-day basis, he reports to Warner Bros. executives Barry Meyer, executive vice president, Sandy Reisenbach, executive vice president for marketing and planning, and sometimes Terry Semel, president and chief operating officer. The sale to Warners "was a great business deal," says Robertson. But at the time, he says, they worried, "could we actually go to work for someone again?" Michael Garin, one member of the office of the president, left L-T in 1988 for the investment banking firm of Furman, Selz. Robertson rationalizes his decision to stay: "They run their business just like we used to at Telepictures. The goals are set consensually, there are very clear ways of measuring your progress and you're pretty much allowed to go work on your own. Because of that I was willing to make peace with myself—'Hey, I can work for these guys.'"

It's still early in the game for the new Time Warner, and Robertson's patience in responding to layers of management will surely be tested. When that happens, this supersalesman may find out whether his new, mellower operating style has truly taken root.

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Clearly, the Warner syndication team has already shown its penchant for leveraging resources acquired in a merger. Moreover, wielding the combined Lorimar-Warner libraries, Robertson has shown no qualms about using the company's massive leverage with television stations to increase Warner program sales and improve time slots for its shows.

Consider for a moment the enormity of the merged Warner's inventory. It's one of the industry's largest and most important collections of original series and network reruns. It reaches from the current *Murphy Brown*, *Dallas*, *Knots Landing* and *Mama's Family*, back through *Chico & The Man*, *Welcome Back, Kotter*, *Dukes of Hazzard*, *Here's Lucy*, *F-Troop* and *The FBI* to *My Favorite Martian*. For the 1989-90 season Warner had eight series in first-run production, 31 off-network series and three first-run series in repeats airing in at least some part of the country. In addition, scheduled for fall 1990 debut are the off-network comedy series *ALF*, *Head of the Class*, *Hogan Family* and *Perfect Strangers*. New first-run shows being sold for fall include Steven Spielberg's *Tiny Toon Adventures*, the game show *Trump Card* and a talk show, *Voices of America with Jesse Jackson*, featuring the former presidential candidate. Also included will be newly repackaged *Merrie Melodies* cartoons.

Industry insiders and experts estimate that Warner is rivaled or exceeded in revenues and number of shows in first-run only by Paramount and King World, and in off-network situation comedy strength only by Columbia Pictures. For the 1988-89 season, Warner claims to have sold nearly 6,000 minutes of national advertising time in its syndicated programs, an effort headed by senior v.p. of media sales Karl Kuechenmeister and overseen by Robertson. Tim Duncan, executive director of the Advertiser Syndicated Television Association, says Warner's sales make up one-sixth of the annual barter market of some 36,000 minutes.

Revenues for Lorimar Telepictures syndication for fiscal year 1988 totalled \$128 million, comprising 19 percent of Lorimar Telepictures' total revenues. The newly merged company does not break out earnings figures for its television operations, which are now considered such a small part of the Time Warner behemoth that securities analysts say they've lost track of those numbers. It is generally agreed, however, that Lorimar Telepictures' television operation is what kept that company afloat despite substantial losses each year since 1986: \$25.8 million in 1986, \$58.6 million in 1987 and \$86.8 million in 1988. The company stumbled with its scandal-ridden home-video operation and its ill-timed moves into ownership of television stations and a major advertising agency, Bozell, Jacobs, Kenyon & Eckhardt. But it created most of its problems by plowing its resources into a bid for respectability in Hollywood through production of feature films. Feature film write-downs hit \$49 million in fiscal 1988.

"Where Lorimar got into trouble," acknowledges Robertson, "was going into the movie business." Financial losses forced Lorimar Telepictures to sell itself to Warner.

But with that move and the Time Warner merger (which was scheduled to be completed early this year), Robertson and his colleagues enthuse over the security—and opportunity—that the new conglomerate's resources give it to plunge forward. At the

heart of syndication's expected returns is Robertson's domestic division. Indeed, a salesman for one major studio, who asked not to be identified, says he was grateful for Lorimar's poor financial straits in the two years before its merger with Warner. "It was the best thing that ever happened for the competition because [Lorimar] couldn't get out and market anything." Now, he says, "they are back with a vengeance."

Moreover—apparently because of Robertson's previous success and Warner's general corporate approach, which allows for entrepreneurial profit centers within the company—as 1989 drew to a close, the brasher, less self-conscious Lorimar culture appeared to be dominating the Warner domestic syndication operation, resisting the Warner studio's more buttoned-down



The mighty, merged Warner Bros. mix offers a trove of both off-net (*Hogan Family*) and first-run (*College Mad House*) shows.

traditions. "We're running the syndication company pretty much like it was run before," Robertson boasts. But, he is quick to note, with Warner's "more sophisticated" financial accounting and reporting.

Robertson makes much of his operation's "team" approach and has worked hard to keep his crew together. With the exception of Bill Hart, senior vice president of feature film marketing, who was with Warner Bros. as a vice president and domestic sales manager, Robertson's executive core of senior vice presidents comes from Lorimar-Telepictures: Scott Carlin, first-run division; Karl Kuechenmeister, media sales; Leon Luxenberg, director of administration; Jim Moloshok, creative services; Bruce Rosenblum, research; and Keith Samples, off-network division. That goes a long way toward explaining the operational style of the merged Warner Bros. With all the old Lorimar operations scheduled to move to Warner's Burbank facilities, however, it's yet to be seen how long Robertson's division will retain its old character.

For now, backed by Time Warner's financial might, Robertson's staff is feeling confident. Several mergers after its origins in tiny Telepictures, the new Warner syndication team sees itself as akin to the packaged-goods giant Procter & Gamble Co., whose strategies Warner syndication executives repeatedly cite

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as models. To begin with, they now enjoy the mammoth marketing clout that so much product inventory can give, an advantage in sales to stations and in securing the broadcast equivalent of choice retail shelf space—the most lucrative program time slots. “We have a lot of very desirable programs since taking over [the Warner] distribution company,” explains Robertson. “I won’t say people go so far as to meet me at the airport, but I sense there’s a different way people approach us now . . .”

“When you are as big as we are now,” he continues, “I think the stations will give very serious consideration to our new offerings to keep getting first look. None of this is in writing,” he quickly adds. “It’s just pretty much common sense. For instance, we’re not going to sell *Murphy Brown* before *Hogan Family* because *Hogan Family* came out first.” (Syndication sales of *Hogan Family* are softer than are expected for *Murphy Brown*.)

Like P&G, the new Warner is known for its extensive market research. To assist in constructing its program promotions directed at the TV audience Warner regularly sends researchers around the country to observe focus groups and ask potential viewers why they don’t watch Warner shows. “If they think the show is blue and we can convince them it’s red, we can get them to resample the show,” explains Jim Moloshok, senior vice president for creative services, known as a research junkie in the Lorimar Telepictures days. “What we do is more along the lines of what a Procter & Gamble might do than what another distributor might do.”

Then there’s what some have dubbed Warner’s “Syndicator Indicator,” a study of the audience composition of all network sitcom hits of the last 12 years, presented as a tool for judging the likely success of new off-net offerings. Not surprisingly it tends to show that the Warner shows currently for sale will likely do much better than the competition’s. Says one competing salesman for a major studio’s syndication arm, “It’s frustrating for me going into a station pitching a product and they evaluate it against the Lorimar Syndicator Indicator. The stations actually use it as a measure!”

Warner is also concentrating on boosting sales through standard packaged-goods marketing techniques: clever repackaging of old goods, and product line extensions, often a method of crowding competitors off the shelves to build market share. Repackaging efforts for fall 1990 are concentrated around old Warner Bros. cartoons. First, this fall provides the marketing hook of Bugs Bunny’s 50th anniversary. Second, Robertson’s people have dusted off the *Loonie Toons* classics, *Merrie Melodies*, which were previously sold individually. Warner has put them into 65 half-hour packages, complete with introductions, bumpers and marketing and promotion packages. In a heavily publicized deal, film director Steven Spielberg is creating another 65 half-hour packages of new cartoons similar in spirit, to be called *Tiny Toon Adventures*, which Warner is marketing as an extension of the *Merrie Melodies* product line.

Among competitors, small and medium-size syndicators with only a few shows and limited sales budgets seem to have the most to lose to Warner’s P&G-like marketing muscle. “Leverage,” says one who asked not to be identified, “is scary.”



Perfect Strangers: buying to get dibs on what comes next?

At the same time the merger has revealed a web of opportunities for the division, the new Warner domestic syndication operation has its problems. While competitors say they consider Robertson’s salesmanship unsurpassed in the industry, the aggressive organization he has built grew about 30 percent between 1987 and 1989 to 35 salespeople, becoming slightly unwieldy, according to some observers. Competitors tell tales of his salespeople virtually tripping over each other in station managers’ offices, annoying the buyers and sometimes selling the same shows, or competing with each other hawking different Warner product. In one instance, according to two of the three general managers involved (one denies it), each of the three independent stations in Sacramento last year thought it had bought *Tiny Toons*. The show finally went to KCSH, which also bought three other Warner shows, *Fun House*, *Love Connection*

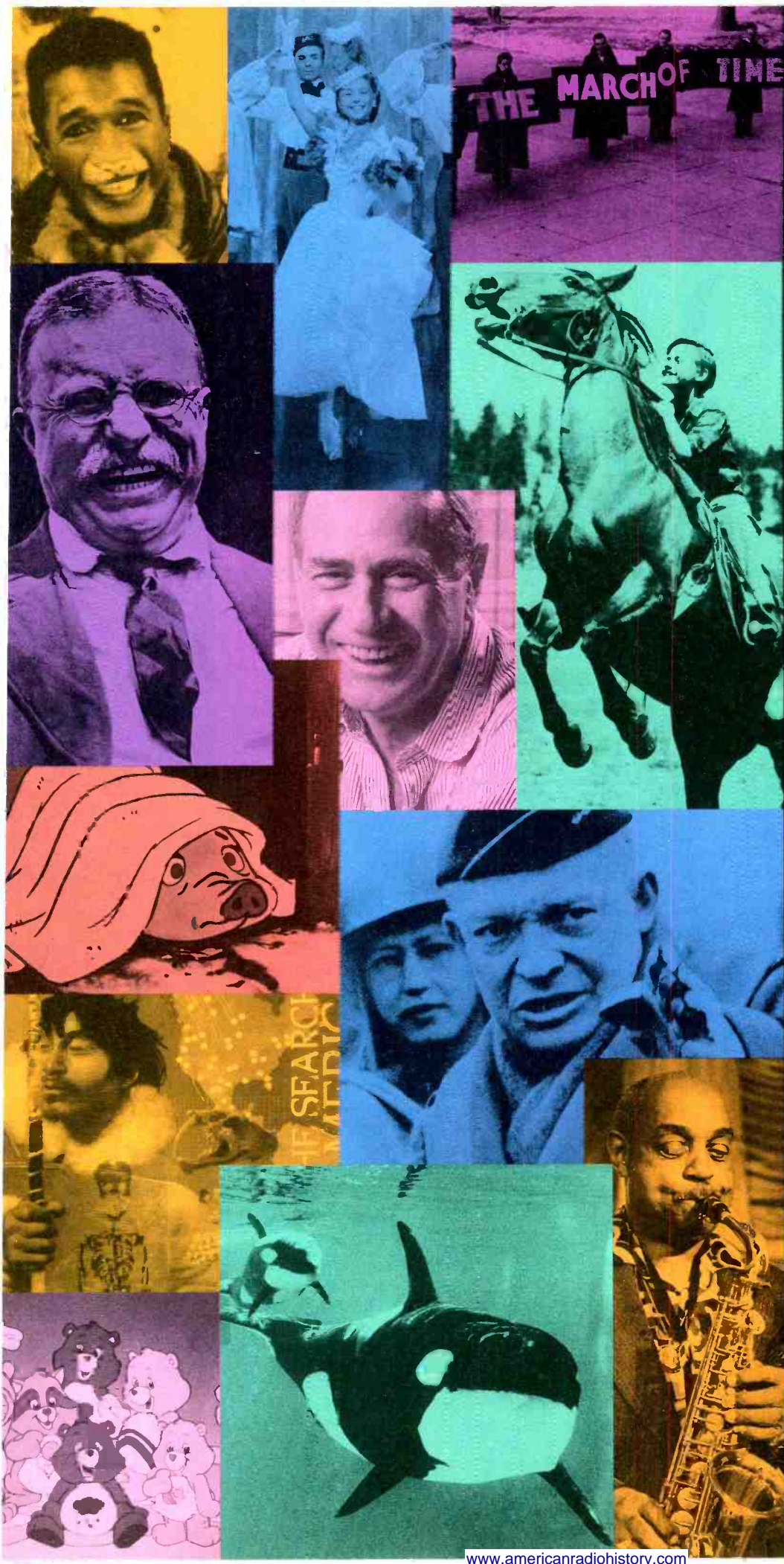
and *Greatest American Hero*. “I think we were all talking to different [Warner sales] people,” says Bill Franks, program manager of KRBK. “We went to NATPE and we assumed we had the show. We went in to firm it up and we were told we didn’t have it. . . . It was just confusion, mass confusion.”

Asked about this, Robertson became agitated, alternately denying and acknowledging the Sacramento incident. “That’s such bullshit,” he snapped at first. Later in the same conversation he called it “an isolated situation,” adding, “When you run a large company, there are going to be misunderstandings.”

Then there’s criticism from competitors that while Warner has been quite successful at selling concepts, it sometimes falters in the execution of shows. Notable failures have included *Family Medical Center* and the revived *Truth or Consequences*; *The New Let’s Make a Deal* and *The \$1,000,000 Chance of a Lifetime* survived two seasons before succumbing. Three shows that have had significant runs—*People’s Court*, *Superior Court* and *Love Connection*—were all developed, in whole or in part, by outside producers. And Warner officials acknowledge that they wouldn’t have landed Jesse Jackson without arranging for the show to be produced by Quincy Jones’ company (although snaring Jones could be considered a feat by itself). “Yes, we’ve had a lot of shows that didn’t succeed . . .,” acknowledges Robertson, “and there have been some big disappointments, like *Newscope* and *Rituals*.” But, he insists, “I don’t think our batting average is any worse than anyone else’s.”

Robertson and Salzman—whose network production division develops and produces Robertson’s first-run shows—have so far puzzled some in the industry by failing to trade on Warner’s quality name, continuing to concentrate on less ambitious programming such as their *Trump Card* and *Third Degree* game shows. Impatient with the question, Robertson argues tersely that game shows are the most successful form of programming in the 7 to 8 P.M. access period. And, he says, “That’s where all the money is.”

Whatever the significance of these problems, they seem unlikely to substantially hinder Robertson in building Warner’s domestic syndication operation into an increasingly dominant force in the marketplace now that he has Time Warner’s backing. With that name on the door, no one seems to question his legitimacy anymore. ●



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SOLO VOYAGER

Cox Cable, the privately held, low-profile MSO, is in the midst of an entrepreneurial surge of deal-making.

By Janet Stilson

If Jim Robbins could've talked, he would've been screaming as he strode into the office of NBC president and CEO Bob Wright just after the launch of the network's Consumer News and Business Channel last April. As it was, the president of Cox Cable Communications says, he had laryngitis, so he had to use sign language to tell Wright just how bad CNBC was.

And it was "terrible," Robbins recalls. "Just awful. NBC didn't realize they'd entered the world of narrowcasting. . . . I told him this had to change, or we were going to jump ship."

For Wright, the meeting held a certain irony—and urgency. Only a few years ago, Wright was president of Cox, the country's sixth largest multiple system operator, with 1.5 million subscribers. And now the company was a client to be satisfied. Before CNBC launched, Cox became its staunchest supporter, signing a multiyear exclusive contract and bumping Financial News Network off most of its systems when the network signed on. Within months, FNN would be history to Cox's customers—and a burning issue for those angered at the switch.

"My perspective is that Bob Wright was putting his entry into cable on the line with CNBC. And if we, as his biggest supporters, jumped, he lost the war,"

Robbins says. "He understood the dynamics completely. And it didn't take any words. It just took a lot of sign language."

Cox's hand in CNBC's dramatic improvement over the past year is but one example of how this intensely private company has sent ripples through the industry in the recent past, sometimes traveling routes that few have chosen. Cox was in the thick of things as the current comedy network face-off began to get serious, making plans with Columbia Pictures for a laugh service (which never saw the light of day). It began an extensive joint programming venture with WWL-TV New Orleans in 1989, creating an all-news local cable channel before such endeavors gained favor. And it recently separated itself further from the MSO pack by gambling on the home-video industry via an \$85 million investment in Blockbuster Entertainment and 118 affiliated stores.

Cox officials say the new deals are likely to multiply in the coming months, and are the result of a renewed spirit of entrepreneurship at the company after a long period of instability. In the last ten years, Cox Cable has had three presidents, each of whom occupied an office shaped like the bow of a ship, the desk placed in front of a painting of a vessel maneuvering through a stormy sea with

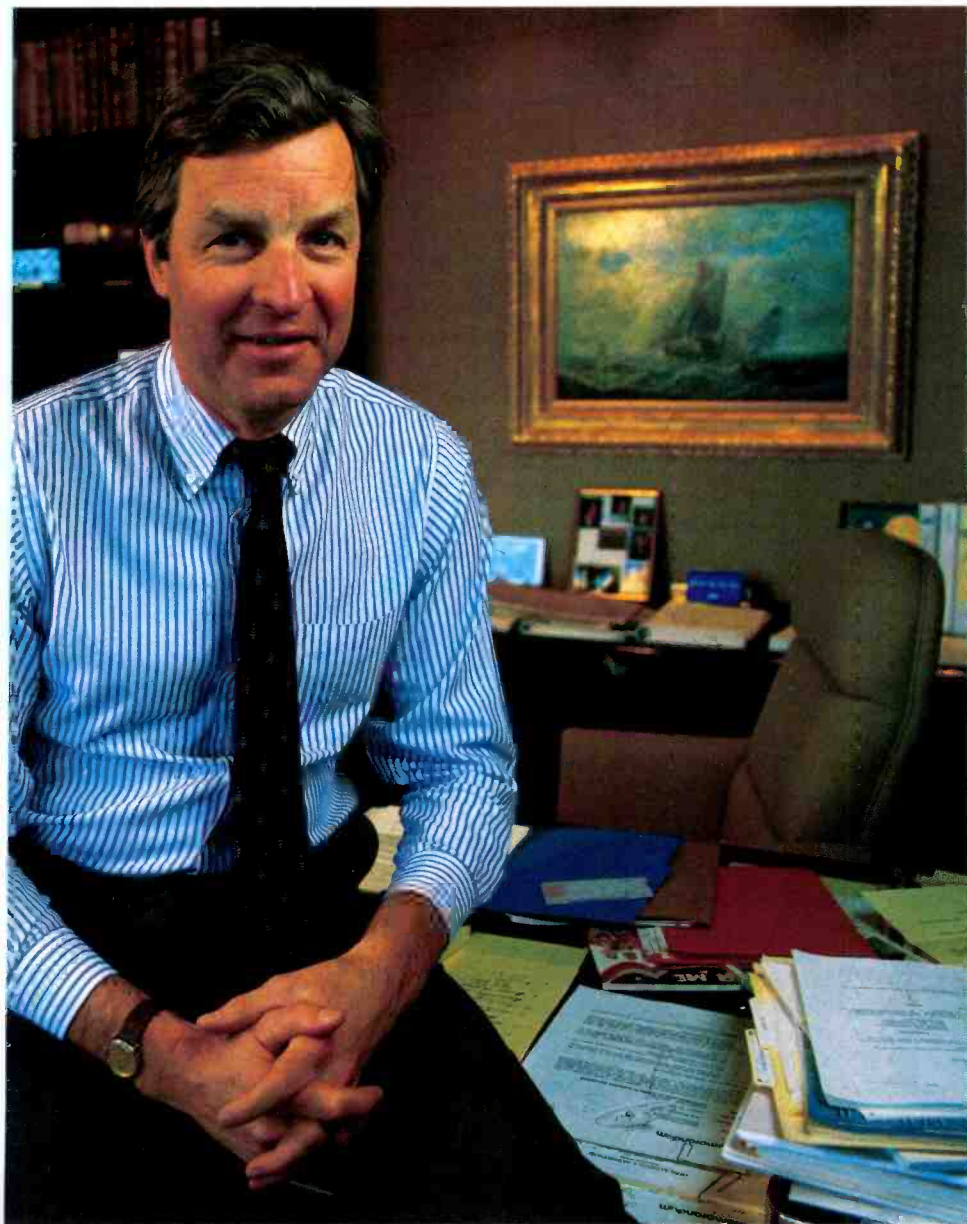
Cox Cable president Jim Robbins: after a decade of turmoil, leading the company into new ventures.



only a patch of blue sky overhead—some-what analogous to the cable unit's own state of affairs.

Each of the cable chiefs ushered in a distinctive era with a unique set of opportunities and problems. Wright entered the Cox Cable scene in 1980 as transition man for General Electric, which had announced its intention to purchase Cox Broadcasting, now Cox Communications. GE's deal for the company—which included both cable systems and a TV station group—fell through after the two firms failed to come to terms. But Wright decided to stick around, leading Cox Cable through the franchising frenzy that swept the industry in the early '80s.

Wright's return to the GE mother ship in 1983 cleared the way for David Van Valkenburg's promotion from chief operating officer to president of the cable unit. Van Valkenburg steered the company through a tough period of decentralization, reducing its corporate staff in



PHOTOGRAPH BY DAVID MURRAY

Atlanta from 360 to 190 people. Cox then sold off 26 of its 49 systems, deemed too small to be economically viable as more functions moved out to the field.

As if that weren't enough, mighty Cox Enterprises—a private, family-run company with its heart in newspaper publishing but assets including radio and TV stations, the TeleRep sales firm and an auto-auction division—decided to buy back from the public the 55 percent of Cox Communications that it didn't own for \$1.2 billion, or \$75 a share.

"It was a wonderful deal for them, and bad for the shareholders," recalls Sharon Armbrust, an analyst at Paul Kagan Associates. "They bought Cox Communications for well under the market price."

Just after the buyback came Van Valkenburg's departure, and Robbins moved up from his position as senior vice president of operations. At the same time, a changing of the guard took place higher up the corporate ladder, as "Cox: The

Next Generation" moved into place in the form of James Kennedy. After a series of promotions, the 43-year-old Kennedy was named chairman and chief executive in 1988 when his stepfather, Garner Anthony, retired.

Robbins attributes the company's recent focus on new ventures—particularly programming efforts—to Kennedy. Those who work with Robbins, however, see his signature very much in evidence as the wheeling and dealing progresses, and as the company continues to decentralize—a process that has given even people on the lower end of the totem pole, the customer service representatives, more discretionary power to settle customer complaints.

"One of the interesting things I've watched as we've had [various] presidents in this office is the way they have changed who sits where," observes vice president of public affairs David Andersen. "Robbins has his operations guys

very close to him. Van Valkenburg had his technical people very close." Wright, he adds, barely got into the new corporate offices he had helped design before leaving the company.

Robbins expects much more from his three operations executives—Barry Elson, Robert O'Leary and David Woodrow—than their own fields of expertise require. "We feel like we're involved in everything that Jim does," says Ajit Dalvi, who has become one of cable's marketing-research gurus as Cox's senior vice president of marketing and programming. "I feel no hesitation about going in and giving him my opinion on something that I'm indirectly involved in, because I know he expects me to do it."

Robbins' managerial style holds traces of what he learned back in the mid-'60s, when he spent two tours in Vietnam as a Naval officer aboard a destroyer and a gun boat on the Mekong River. In the Navy, "you learn a lot about managing people, and managing a very diverse work force, and that probably did more to help me develop whatever managerial talents I have—and they're very few," says Robbins, now 47.

Back in his Navy days, Robbins says, he wanted to be "the next Walter Cronkite. Before I re-upped for my second tour, I was either going to shine shoes at Black Rock, or get some practical experience in Vietnam, and I decided to get some practical experience." Part of that second tour involved news and public affairs duties. Robbins dealt with the press and handled internal communications.

But shortly after the war, Robbins switched gears and entered Harvard Business School. "Over the long term I felt having an MBA would serve me better than chasing ambulances [for a news department] in Tulsa, Okla.," he explains. While at Harvard he moonlighted at Boston's WBZ-TV as an assistant producer of the morning show, *New England Today*, and later was managing editor of WBZ-TV News while still in school.

MBA in hand, however, Robbins veered away from the station business. "The broadcasting policy manual was already written, and I didn't want to turn to page 45 to learn how to go to the bathroom in that business," he says. The entrepreneurial promise of the cable industry proved more attractive, and he worked first at the Adams-Russell Company, then Continental Cablevision and finally Viacom Communications, where he was senior vice president of operations for that company's Western region when he joined Cox in 1983.

Robbins says he always expected he'd learn the business, then hop off the corporate track and operate a small cable com-

Cox Cable Vital Statistics

Basic cable subscribers: 1.53 million
 MSO rank (by basic subs): 6
 Number of wholly owned operations: 23
 1989 Ad revenue*: \$26.5 million
 1988 Ad revenue: \$19.7 million
 1989 Total revenue: \$555 million
 1988 Total revenue: \$506 million
 Employees: 3,500
 Basic cable penetration: 58 percent
 Pay TV penetration: 50 percent
 Average basic monthly fee:
 \$16 ('89), \$15 ('88)
 Average monthly cable bill:
 \$29 ('89), \$27 ('88)
 Average number of channels per system: 37

Sources: Cox Cable; Paul Kagan Associates Inc. *Includes Cox's share of National Cable Advertising national spot, and its CableRep local sales arm. All 1989 figures are projected. Total revenue figures are estimates, by Channels.

pany of his own. But today, he's more than satisfied at Cox, a corporation that has kicked into an entrepreneurial mode.

While systems will always be the core of Cox's cable strategy, it is now eyeing programming ventures as a means of increasing its revenues. While still rising, revenues have slowed in rate of growth, from about 11 percent in fiscal 1988 to an expected 9 percent in '89. Cox is eschewing cable-system acquisitions at present because of high prices, but expects to continue the 3 to 4 percent annual subscriber growth that comes from increasing penetration in its existing systems.

Cox may grow its network programming investments by another two services as soon as this April, according to Dalvi. It is interested in picking up a stake in Showtime Networks, and is expected to invest in either MTV Networks' HA! The TV Comedy Network or HBO's Comedy Channel. Plus, "we're working on two or three concepts right now," Dalvi says, offering up only one crumb of detail: a possible Discovery Channel spin-off.

Says Robbins of the potential investments, "We want an equity position that is disproportionate to our share of distribution. Our distribution represents about 4 percent of the industry, and we would like to get a much greater share of a programming venture."

Nowhere is that philosophy more evident than at The Discovery Channel. Last year, Cox increased its investment in the service, originally a few million dollars, by an estimated \$30 million, taking its stake to 25 percent. It invested \$1 million to \$2 million for 11 percent of Movietime in 1988; has a 17 percent investment in the pay-per-view network Viewer's Choice; and has a small fraction of ownership (4

'It turned out that what comedy needed was really two things: a packager and a distributor,' says Robbins. 'What was missing [in the Columbia project] was a packager.'

percent) in Florida's Sunshine sports network.

What's more, it has a 12 percent interest in the rep firm National Cable Advertising, and stakes in two ad-support services as well: NuCable Resources (6 percent) and PrimeTime Tonight (12 percent). While Cox's programming investments can't compare with the MSO monolith Tele-Communications Inc.'s recent buying binge, they are notable for a private media company in the newspaper business—a type of corporate animal that typically moves at a conservative if not glacial acquisition pace.

"We venture out into programming wherever we can, but there are only so many opportunities," says Kennedy, noting channel-capacity constraints. "You have to realize that not too many years ago, we did the biggest deal in our company's history [taking Cox Communications private]. When we buy something, we like to do it the old-fashioned way. When you borrow money, do it on your ability to pay that money back, and not factoring in unrealistic growth rates."

The company's financial caution, however, does not preclude adventurousness in the kind of investments it's willing to make. In that, Cox reaches beyond predictable cable-company interests.

With Blockbuster Entertainment, now that United Artists Entertainment is selling off its remaining interest in the company, "Cox is the only major [U.S.] cable operator involved in home-video retailing in a major way, as far as I know," says Van Wallach, East Coast bureau chief for *Video Store Magazine*. "Other operators may have a store or two, but this is a real dive into the swimming pool for Cox."

Cox made an initial \$15 million investment in Blockbuster, which claims to be the country's largest video retail chain, and will have built or acquired 118 Blockbuster-affiliated stores, at a cost of roughly \$600,000 each, by the end of 1991. Cox expects the plunge to result in \$100 million in annual gross revenues within a few years, according to James Hayes, Cox's v.p. of finance.

While some in cable view home-video as a pay-per-view competitor, Robbins contends that "the general public is not waiting for pay-per-view. They're going to the Blockbusters of the world and renting tapes by the zillions."

The cable company's go-it-alone approach to new ventures is also evident from what it's opted against—or pulled

out of completely. Early last year, there was widespread speculation that Cox was working with Coke's Columbia Pictures unit (since sold to Sony) on a comedy channel. At the time, Cox would not confirm the discussions. But now, Dalvi, a onetime Coca-Cola brand manager, says the network was well into the exploratory stages when he attended HBO's Super Bowl party in Hawaii in January 1989. There, HBO's chief financial officer, Jeff Bewkes, mentioned that his company was planning the Comedy Channel. "I told [HBO executives at the party] that we'd been talking with Columbia for the last few months, and their jaws kind of fell," recalls Dalvi.

Cox and Columbia approached MTV Networks' parent company, Viacom International, about joining in on the service, but questions of creative control were never resolved, and Cox's enthusiasm for the channel waned as HBO's plans firmed up.

"It turned out that what comedy needed was really two things: a packager and a distributor," says Robbins. "What was missing [in the Columbia project] was a packager," someone to give the proposed channel a distinctive look and feel.

Among the investment targets Cox has turned down is another mighty Atlanta communications company, Turner Broadcasting System—avoided largely because Cox anticipated cross-ownership concerns at the FCC, given its ownership of a TV station in Atlanta, WSB-TV, and Turner's Atlanta-based Superstation TBS.

The lack of a TBS investment has added to Cox's aura of being a company that follows nobody's lead but its own, and certainly allowed it the independence to make a major commitment to CNBC, deemed a competitor to CNN. Those who are familiar with TBS and Cox, however, note that the two communications big fish sharing the small pond of Atlanta have had a love-hate relationship for years, leaning more toward the hate side. "Cox is old money and old Atlanta," explains one observer, "and [TBS chairman and chief executive] Ted Turner is the upstart with brash new money."

The Cox credentials run long on time and glitter, and are manifest at present in two sisters: Kennedy's mother, Barbara Cox Anthony, chairman of Cox's Dayton newspapers, and his aunt, Anne Cox Chambers, currently chairman of the Atlanta newspapers and a former U.S. ambassador to Belgium.

Chambers and Anthony, who together are worth about \$5 billion, according to *Forbes*, own about 98 percent of Cox



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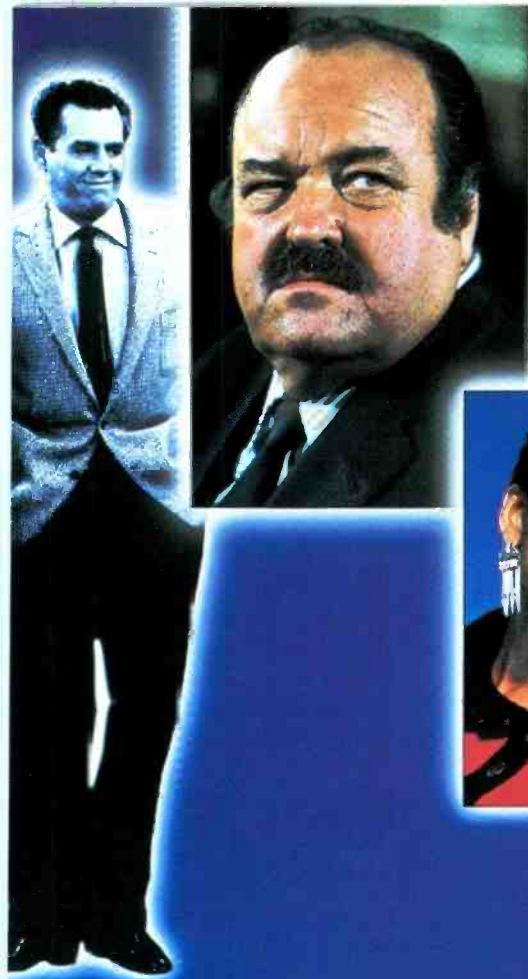
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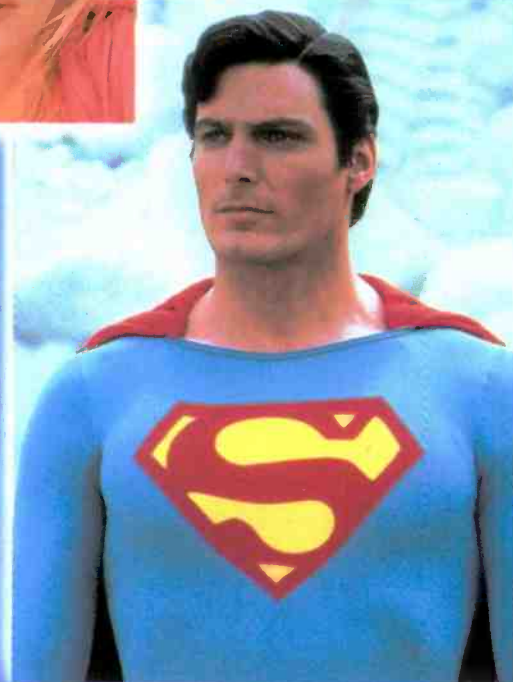
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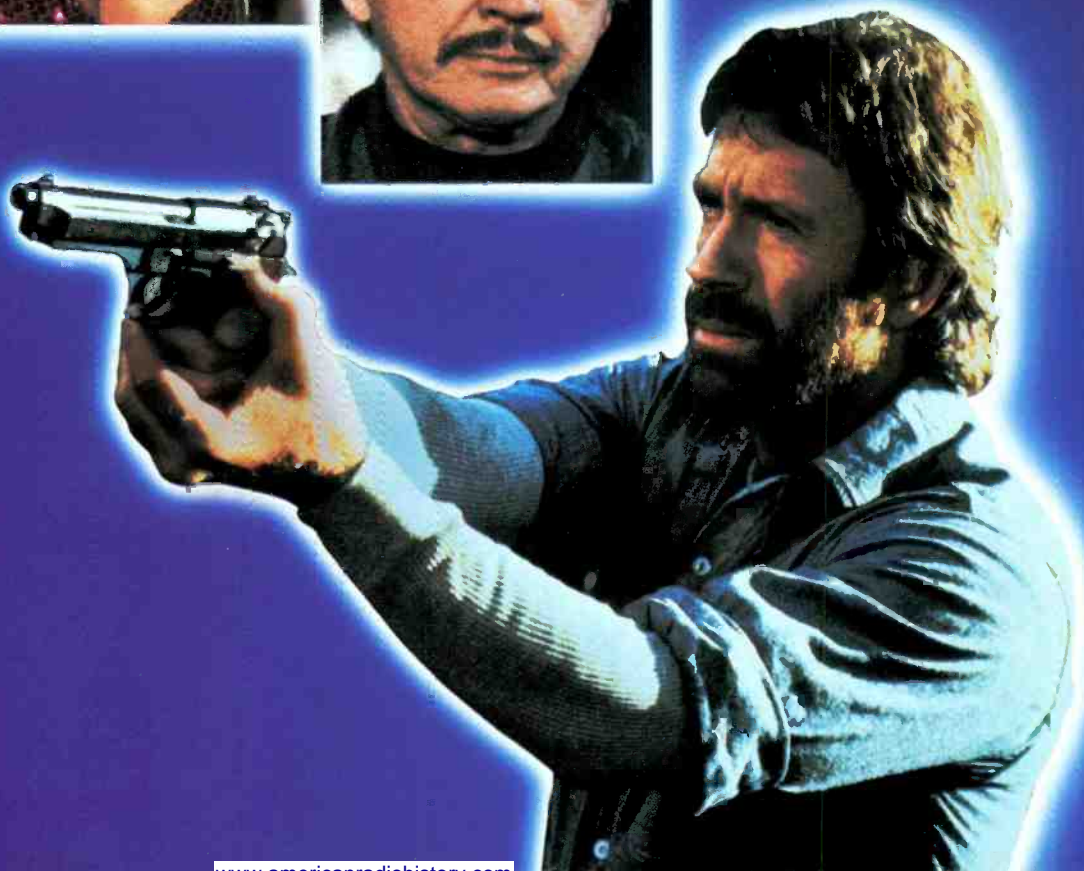
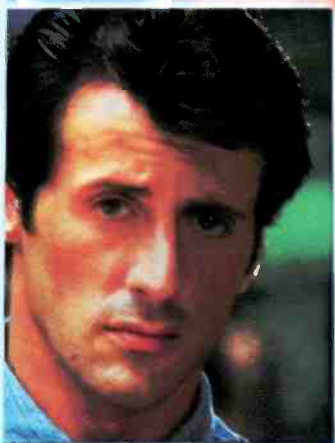
- The Andy Griffith Show
- The Beverly Hillbillies
- Bizarre
- The Bob Newhart Show
- Cannon
- Clint Eastwood in Rawhide
- The Cosby Show
- Dempsey & Makepeace
- The Dick Van Dyke Show
- A Different World
- Family Affair
- Frank's Place
- Gomer Pyle U.S.M.C.
- The Life & Times of Grizzly Adams
- Gunsmoke
- Have Gun, Will Travel
- Hawaii Five-0
- Hogan's Heroes
- The Honeymooners
- I Love Lucy
- Marshal Dillon
- The Mary Tyler Moore Show
- My Three Sons
- Perry Mason
- Petticoat Junction
- The Phil Silvers Show
- The Rookies
- The Twilight Zone
- The Wild Wild West

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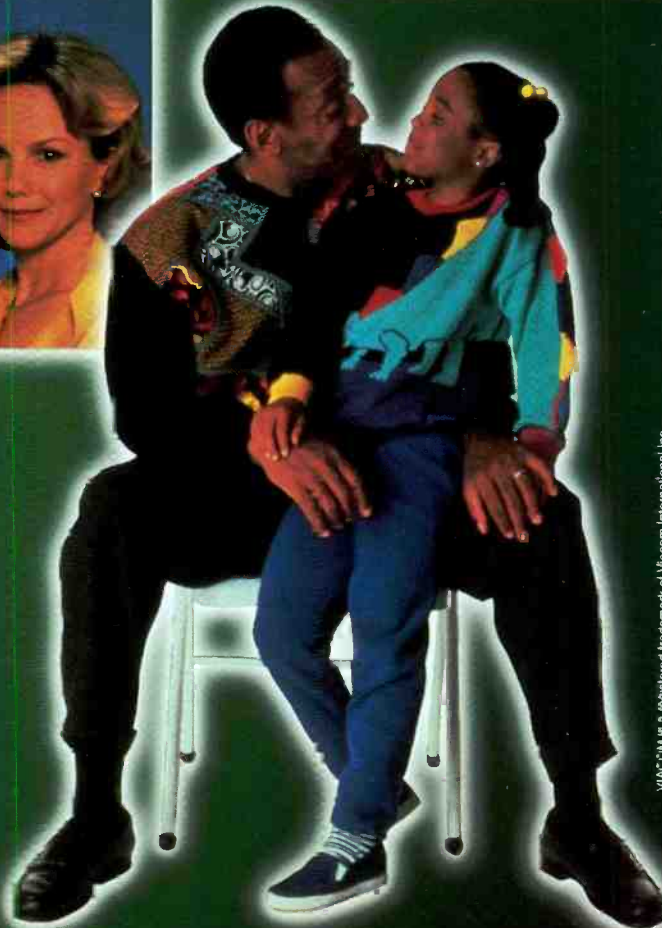


FEATURE FILMS



A Different World
The Cosby Show
Jake & The Fatman
Matlock
Roseanne

NETWORK SERIES



VIACOM



The Hampton Roads, Va., system is gunning to collect Cox's 24th local ACE award, for a homegrown documentary about the FBI capture of spy John Walker, a former area resident.

munity affairs shows per week, and the on-air talent is a one-man show—Irv Hill, the system's director of community affairs and a former mayor of Norfolk.

Hill, a tall, balding man with a Charles de Gaulle nose, keeps his local channel full of news on Navy affairs in an area where 25 percent of the population gets a government paycheck—and Cox gets a potential 5,000 new customers every time a carrier bellies up to the pier and connects to Cox's cable. His system aims to collect Cox's 24th local ACE award this year, for a documentary in which the FBI gives a rare glimpse of how they ensnared a Soviet spy, former Norfolk-area resident John Walker.

Kantor wants to extend the programming success of the Hampton Roads channel and other local-origination fare. "In the end, the stronger we are locally, the better relationship we have with the local community," he says.

Those relationships have not always been stellar. Cox Cable San Diego earned national press in 1987 when *Consumer Reports* named it as one of the worst providers of customer service among U.S. cable systems. Rate hikes since deregulation have also tested consumer tolerance. For example, the Hampton Roads system made up for its rock-bottom rates of the early '80s by raising prices 67 percent over the last three years, to \$16.95 for basic service.

Dalvi says he doesn't "put much stock" in the method used for *Consumer Reports*' survey, and adds, "There has been major improvement in San Diego since that report." And Cox has been plowing more money into customer service companywide in recent years, including special training sessions for all employees. Cox has also added some bite to the annual customer service surveys it conducts. Last year it set a specific target for its systems: a 75 percent favorable rating by the customers polled. End-of-year incentives for Cox general managers took into account the systems' success in reaching that goal.

Cox's local focus also includes extensive rebuilding over the next few years, coinciding with refranchising negotiations in 15 of its 23 systems. The rebuilds will move Cox from a 35-channel company to one in which 62-channel systems predominate, and drive its capital expenditures for rebuilds and upgrades from the \$67 million of recent years to an annual \$100 million, according to Hayes.

Muddying the refranchising waters in some markets is the impact of the CNBC switchout—even though Cox executives say that the controversy was largely quelled when CNBC responded to Cox's suggestions for change, passed on from subscribers. According to Dalvi, those requests resulted in greater dayparting at CNBC; consumer-oriented segments were relegated to the evening and ticker data was added as a crawl during business hours.

Despite the changes, Elaine Leon, an attorney with the state of Connecticut's Consumer Council, says that about 60 people were still petitioning for FNN during a hearing in October concerning Cox's proposed franchise renewal in the Hartford area. The group is tied to the San Diego-based Investors Needing News for FNN, which claims members in markets serving about 900,000 Cox subscribers.

Cox's Elson and Woodrow contend that if CNBC had been added in its current, dramatically improved form, the uproar over dropping FNN never would have occurred. And they cite as an example the rollout of CNBC in the only Cox system without it—Hampton Roads—last October. The system received only three complaint calls, they report, despite a grass-roots uprising when the switchout was announced months before.

Of the controversy, senior vice president of operations Robert O'Leary says, "We can't say we wouldn't do it again, because we were dealing with a relatively small percentage of the population. But I'll tell you, we wouldn't get a lot of general managers to sign up for all those phone calls and the heat they took for the switchouts."

Adds Robbins, "I regret only the turmoil surrounding the services." And then he ventures further than he has in public before. "We ran up against a very strong grass-roots effort on the part of FNN to tar and feather us. It cannot be coincidental that the same literature, and the same verbiage [in anti-Cox printings] would show up in such diverse communities as Hartford, Conn., Omaha and San Diego."

Gil Faccio, FNN's senior vice president of affiliate relations, refutes such charges. "The cable community is a very small, tight-knit community. For us to agitate on a local level would be cowardly and unproductive."

When he speaks of the MSO that dared to stick its neck out farther than any other in dropping his service, Faccio is bold in his predictions. "Cox will be back. There's very little doubt in my mind. And it will be the highlight of my career." ●

Enterprises, which posted revenues of \$1.8 billion in 1988. While the sisters may "look down their noses at Ted Turner," as one source says, Cox Cable is estimated by some to spend about \$1 million a month on rights to Turner's four programming services. And Cox Cable was one of the earliest supporters of Headline News' drive to link broadcasters and operators with five-minute local news inserts on the service. David Kantor, vice president of advertising sales, says Cox expects to do more local ventures via Headline News, rather than local news channels with broadcasters.

The Eyewitness News Watch channel in New Orleans, which is a one-year experiment, debuted last fall after a year of heavy negotiations with WWL-TV. "From mid-December [1988] through July [of 1989], I went down to New Orleans almost every week," says Kantor, who says he averages about 20 calls a week from stations and cable systems interested in setting up similar ventures. WWL simulcasts 27 hours of news on the cable channel weekly, with repeats of the latest shows between updated broadcasts.

While the New Orleans venture has been the headline-grabber for Cox this year, a less hyped approach to local television is in evidence at many of Cox's larger systems. For example, at Cox's Hampton Roads, Va., operation, the production team pulls off four half-hour com

After Junk: Street-wise Financing

The global media boom of the '90s will require billions of dollars of fresh capital. Aggressive banks and new techniques may fill the junk bond void.

By Paul Noglows



Now that they've come down from the junk-bond highs of the '80s, media bankers and their corporate clients have to get creative to keep their businesses growing in the '90s. Turmoil in the junk-bond market continues, and other providers of financing to the television industry have become skittish. But with brokerages laying off thousands of employees and the banking industry consolidating, deal-makers can't sit back and watch proven sources of commissions dry up. Bankers and brokers are being forced to find new financing techniques and untapped sources of capital.

Some cable companies—TeleCommunications Inc. and Continental Cablevision, for example—have tapped Japan for vital financing. Others, including Turner Broadcasting System, have employed such innovative products as Merrill Lynch & Co.'s Liquid Yield Option Notes (LYONs) to improve capital structure. McCaw Cellular Communications has introduced a private market guarantee in its very public battle for cellular industry jewel LIN Broadcasting,

while rival BellSouth has pushed the concept of using one's own assets as acquisition currency. Time Inc. has turned to Pay-In-Kind securities (PIKs) to seal its acquisition of Warner Communications. A new aggressiveness on the part of commercial banks opened the door for Viacom International to refinance its bank debt with a \$1.5 billion ten-year senior unsecured credit facility led by Citibank, N.A. and The Bank of New York.

"You are going to see more creative approaches to getting deals done," says Chuck Cory, head of Morgan Stanley & Co.'s media and entertainment group. "That is driven by uncertainty in the capital markets, most notably in the debt side of the market, both senior debt and subordinated debt." Adds Steven Rattner, principal, Lazard Freres & Co., "The junk-bond market will clearly have a significant impact on many companies. The largest players will be relatively unaffected. Smaller, more highly leveraged credits, particularly those that are acquisition-oriented, are going to have to be more creative."

Media industries, historically among the

most innovative in their use of leverage and their ability to get deals done, have not backed away from the difficult environment. "The client side of the world," explains Cory, "is much more able today to deal with financial complexity—joint ventures, leveraged buyouts, partial dispositions, or any of those fantastically complicated deal structures that Wall Street is fairly adept with and has been pitching at the client base for three or four years."

Among the recent developments in media financing:

● THE ENTRY OF THE JAPANESE.

Few companies have a clearer understanding of the new financial marketplace than cable giant TCI, which recently raised \$200 million in the relatively untested waters of the Japanese money markets. TCI's vice president of finance Bernard Schotters says that Japan has emerged as a key financing source for U.S. media because the country's financial institutions have, "in the last three years, made very significant inroads in their understanding of the media in gen-

eral and cable specifically. As one source of capital, it has a very dramatic asset base and lending capacity."

TCI and other media companies welcome the development. "Clearly, from the company's perspective, it is important that you have as many lenders as possible trying to lend you money," says Thomas Dooley, Viacom's vice president and treasurer. "It's simple supply and demand. The more people you have trying to lend you money, the lower your rates." Besides offering lower rates (because of lower reserve requirements, there is an absolute reduction in overall borrowing cost), international sources of capital like Japan allow large U.S. media companies to lower their domestic debt burdens.

For TCI, the move abroad also reflects a need to ease its reliance on U.S. banks. "We have become a very significant part of the communications lending business of most of the U.S. and Canadian banks," TCI's Schotters explains. Accordingly, the company has stepped up its efforts to take traditional business into the international markets. "We're in the process of trying to create dry powder with our old friends in the domestic banking community," Schotters says. "We have been taking older, more mature credits and refinancing them in the international market."

Where TCI has led, others are now following. Continental Cablevision took TCI's example one step further, raising \$100 million in subordinated debt. "Continental going to Japan on a subordinated basis may be even more of a watershed than TCI going there for senior," says Morgan Stanley's Cory, who handled the financing. Continental raised \$100 million in Eurobonds that were marketed solely to Japanese investors. Cory points out that although the TCI offering was top-rated senior secured paper (a substitute for bank debt) aimed at Japanese banks, Continental's is not investment grade, is a subordinated part of a larger financing and is aimed at Japanese investors. "We raised the \$100 million on a floating-rate basis, which the company can then fix and cap their interest rate exposure, so they don't have to think about it as a floating-rate instrument," Cory says. "And it has very attractive financial flexibility for the issuer going forward. We believe it's a

very attractive piece of capital for them."

These two deals suggest the variety of Japanese financing opportunities. Experts say Japan is certain to grow in importance as a financier of American media expansion. "If you want to do a big deal, it is important that the Japanese institutions understand the business you are in and are familiar with the company," says Viacom's Dooley. "If you are going to do a several billion dollar transaction, it's getting to the point that if the Japanese banks do not play a role in that

those."

Other firms have offered similar products, but Merrill is generally credited with mastering LYONs. Gregg Seibert, director of investment banking, Merrill Lynch Capital Markets, says the conversion features of the device are its strongest selling point. "The big benefit for issuers is that they either sell common stock at a premium or they pay a low zero coupon interest rate, but they don't do both," he explains. "With a traditional convertible bond the purchaser receives a continuous stream of cash from the company in the form of current interest, plus they still have a right to convert the bond into common stock. With LYONs, investors either receive common stock or they receive interest. Because the conversion price of a LYON increases every year, issuers are guaranteed a premium price if converted. That's a big plus in an industry whose stocks traditionally trade at a discount to private market value. That makes it a very powerful tool from the issuer's standpoint."

Users of LYONs are convinced of their attributes. "A convertible type issue was an attractive alternative for us," says Chris Becken, vice president and treasurer, Turner Broadcasting System. "The LYONs product had certain features that were even more attractive to us than your more typical convertible subordinated issue. If you look at where our stock price has gone, there had been a significant run-up in the value of the stock and it didn't hurt our capital structure to have a piece of financing which you might call the bottom layer of a debt structure; subordinated to all other pieces, both the senior subordinated notes and our bank financing, so it formed a nice bottom layer of the capital structure," Becken says. The LYON was particularly attractive to TBS because, as a long-term, zero coupon instrument, it is cash-conserving. "Overall, we're very pleased with where we came out," Becken says.

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● PRIVATE MARKET GUARANTEES AND ASSETS AS ACQUISITION CURRENCY. Some of the most innovative forms of media financing don't involve going overseas or issuing notes. Two of the most interesting new structures have come out of McCaw Cellular



transaction, it will be difficult if not impossible to get done."

● LYONs. On the domestic front, one product that is gaining a lot of attention on Wall Street and in media circles is Merrill Lynch & Co. Inc.'s trademarked Liquid Yield Option Notes, or LYONs. Merrill recently raised \$200 million for Turner Broadcasting System by issuing LYONs, which are 15-year zero coupon convertible notes on which interest is never paid if the note is converted into common stock. Although the Turner financing is the first media financing of the 23 separate LYON offerings Merrill has completed since 1985, it won't be the last. "It's the hottest thing on Wall Street and everyone is talking about it," says Jeffrey Epstein, chief financial officer of syndication giant King World Productions Inc. "I think you'll see a lot more of



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TIME WALKER • PRIME RISK • HONOR BETRAYED

and BellSouth's prolonged battle for cellular powerhouse LIN Broadcasting. McCaw's "private market value guarantee" has further blurred the distinction between private and public market values in setting a deal price and may have a major impact on how media deals are structured in the future.

In basic terms, McCaw, the apparent winner in the tug-of-war, has offered to buy 50 percent of the company at a specified bid price and then purchase the remaining half within five years at a price consistent with what an outside buyer would pay at that time. If it fails to do this, all LIN properties would then automatically be auctioned off to the highest bidder. "McCaw's situation is rather unique in that they are guaranteeing the back end of the deal the way they are," says Fred Moran, president of Moran Asset Management Inc., which owns approximately 500,000 LIN shares. "You get full net asset value and if they don't buy it they will put the whole company up for auction and lose everything. That's very unusual."

BellSouth's offer also breaks new ground in financing. The largest of the Baby Bells would like to see its cellular telephone interests merged with those of LIN's in a complex transaction that would form the nation's largest cellular company. LIN's broadcasting assets would be spun off as part of the deal.

They're using not the parent company's stock, not cash, but their own cellular business as the acquisition currency to buy 50 percent of LIN," says Frederic Seegal, managing director, Shearson Lehman Hutton, and architect of the BellSouth offer. "They're using an existing asset on their balance sheet. They're getting value for it without paying taxes. Instead of writing a check they are distributing out assets. Instead of having to go to the capital markets, they just go to their own asset base. That's a financing in the truest sense of the word." He adds: "It's more efficient than doing what all these other companies are doing, like the other Bell companies where they have spun off [companies], because when you sell at a discount to private market value, you only get to sell 10 or 20 percent and you pay big transaction costs." Seegal expects other media companies to concoct similar deal structures in the future.

Like McCaw, BellSouth is offering a "back-end" guarantee to shareholders for the half of LIN it will not own after the merger is complete. If BellSouth purchases more LIN shares in the future, it too has agreed to pay a price equivalent to what an outsider would pay (in both cases, the back end was offered to appease institutional shareholders who believe the thriving group of cellular stocks will greatly appreciate in value).

Unlike McCaw, BellSouth is under no obligation to purchase shares in the future.

● **PIKS.** Issued by a company, Pay-In-Kind securities (PIKs) are instruments, usually preferred stock, that pay out interest in the form of that same security. While discounted by some bankers as nothing more than "cram-down"—as in



Says Viacom's Dooley:
'If the Japanese don't
play a role, it will be
difficult to get a
multibillion dollar
transaction done.'

cram it down your throat—paper, securities that the shareholders of a takeover target must accept and that couldn't be peddled as a new issue otherwise, advocates say PIKs are an essential element of media finance. They played a key role in Time's acquisition of Warner. Time Warner expects to raise \$2.3 billion via PIKs, a preferred stock issued to current Warner shareholders that is convertible into Time Warner common stock at a premium above the market. Dividends accrue at the rate of 11 percent and begin paying out in cash after three years.

"We believe this piece of paper will be attractive to more than one form of buyer," says Geoff Holmes, a Time Warner senior vice president. "Every other PIK pays dividends in the form of a preferred stock, but without an equity conversion feature. Because of the equity conversion feature, we believe it will be attractive to people who are interested in common stock; for the same reason, it will be attractive to convertible funds. But because of the fact that it pays in kind for only three years and then becomes cash, we think it will also be attractive to fixed-income buyers because of the yield. This

is the only time I've seen a security that is attractive to all different players within the marketplace."

Shearson's Seegal, an investment banker on the deal, says the vehicle is working because some investors have sold Time stock to buy Warner stock to get hold of the security. Both Holmes and Seegal believe PIKs will play a growing role in media deals. "There are obviously quality media companies out there that still need to have the benefit of non-cash payments in their capital structure," Seegal says. "In situations where there is a need to conserve capital, we will see PIKs used."

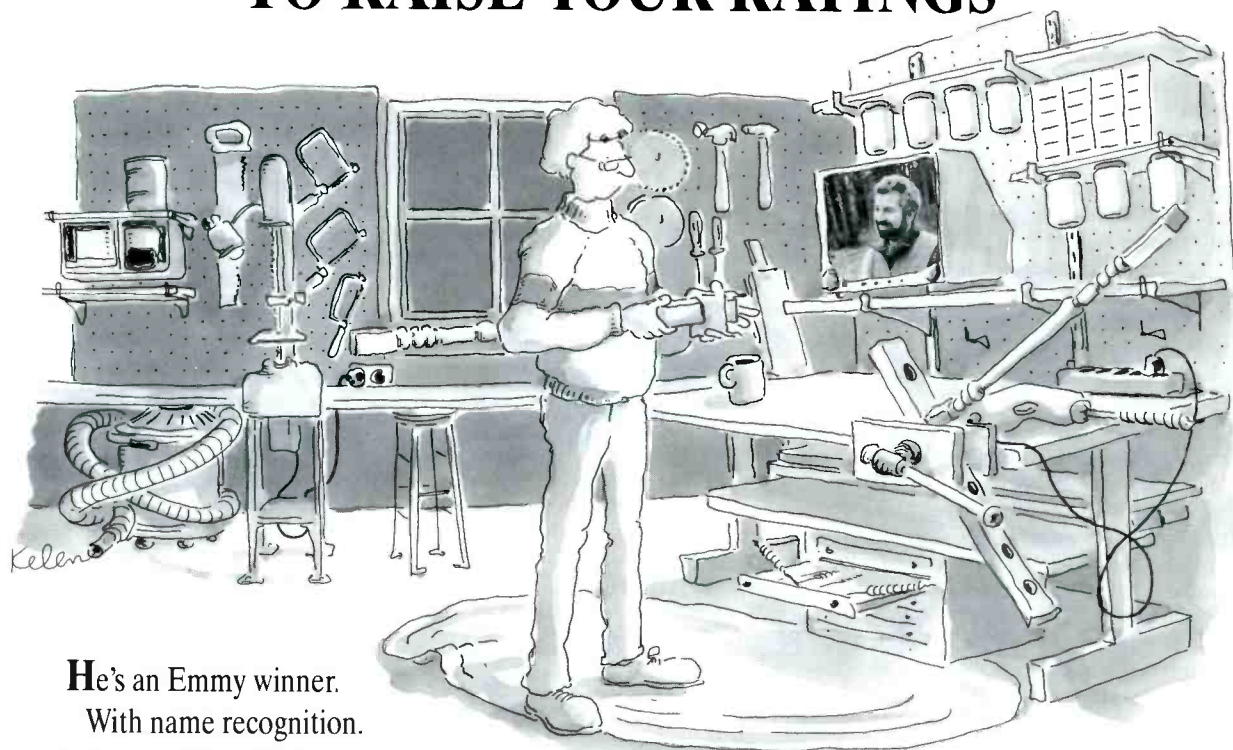
● **THE RETURN OF THE COMMERCIAL BANKS.** On the surface, creative financing may sometimes appear nothing more than a return to the basics. The television and entertainment industry's rediscovery of commercial bank financing is just such a trend. The banks, meanwhile, are themselves becoming more creative in filling a mid-level shortfall in the mezzanine market, according to Shearson's Seegal and Viacom's Dooley. "In our case [Viacom's recent \$1.5 billion bank refinancing], they gave us a facility that allowed us to take out and actually replace some of the high-yield debt that was put in place by the investment banks," Dooley says, noting that such bank deals allow a company to pursue alternative borrowing sources. The Viacom package contains a competitive bid option, a response to the investment bank's ability to sell commercial paper, he says. "In addition, we have a commercial paper facility and they provided us with a lot more flexibility in terms of pursuing acquisitions and other types of activities."

Andrew Selden II, managing director of Chemical Bank's banking and corporate finance group and head of its newly formed media unit, typifies the new aggressiveness of many commercial banks, especially with regard to media. "We see not only a continued need for substantial amounts of capital [by the media], but also creative forms of financing over and above traditional credit needs," he says. "We are positioning ourselves to provide a broader array of services so that we are not only senior lenders, but merchant bankers as well; so that we are not only providing senior credit, but also participating at subordinate and equity levels where appropriate."

While PIKs, LYONs and other acronyms stand for very different phenomena, they all point to a more aggressive and creative wave of corporate financing. It is a wave that industry sources do not expect to break soon, with the junk-bond era ebbing and television expanding into the global marketplace. ●

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Contributing editor Paul Noglows is editor of Media Business.

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Divining The Future

With little room for new programs and power concentrated in the hands of a few key players, everyone in the syndication business is searching for answers. Does anyone have them?

The competition and consolidation that characterize today's syndication business build off of each other. And those symbiotic forces bind together the articles in the following pages. Each piece tells a tale of how players in the treacherous environment of syndication are struggling just to hold their ground.

In "The Poobahs of Programming," Kathy Haley artfully tracks the rise of the "rep programmers." Employed by the handful of firms that represent local stations to national advertisers, these men and women have the clout to make or break a syndicated program. The ascension to power of the rep programmers does not sit well with syndicators and producers. It's an equation guaranteed to make sparks fly.

Sure to ignite controversy is Neal Weinstock's painstakingly researched listing of broadcast syndication's top 20 companies. This marks the second time *Channels* has offered this ranking, and if there's one underlying theme it's the concentration of power in a

shrinking number of companies.

That doesn't mean that the little guy can't survive. *Channels* senior editor Neal Koch makes that clear in his portrait of George Back and his feisty syndication company All American Television. What's Back's secret formula? Fiscal conservatism, a wry sense of humor and a willingness to program the good, the bad, and the ugly.

Histrionics have been commonplace in discussions of the reinstatement of the FCC's syndicated exclusivity rules, commonly known as syndex. Now syndex is back and what David Bollier finds in "A Whimper, Not a Bang" is that the participants who yelled the loudest had little reason to be apoplectic.

To assist you in wading through the cacophony of hype, we provide a selective guide to the new programs being introduced at this year's NATPE. Plenty of game shows, a little talk, comedy and adventure—all pretty much standard fare. It seems the stakes are too high for anybody to take any big chances. ●



The Poobahs Of Programming

Programmers at rep firms wield the kind of clout that can make or break a syndicated show. Syndicators are not happy about the situation. **BY KATHY HALEY**

A select group of 60 television executives, many of them station general managers, has just plowed through breakfast in the swank Terrace Room of New York's Plaza Hotel. Once they're fed, their hosts, top executives of Viacom Enterprises, unveil contract renewal plans for the syndicated version of *The Cosby Show*, the most expensive reruns in TV history.

The presentation is slick, but it has left too many questions unanswered for some of the assembled, questions they don't hesitate to ask, no matter how impolite: "What about the fact that *Cosby's* ratings in overnight markets have slipped a full point from its debut only a year ago?" "Why is Viacom forcing incumbent stations to renew the show before ratings from the November sweeps are available?" "And why is Viacom making incumbents decide on renewal in only two weeks, leaving them little time to analyze ratings trends and revenue projections?"

Tough questions all. But none come from the station managers. Instead, they come from a small cadre of New York-based programmers whose opinions about renewing *Cosby* will influence hundreds of stations in markets big, medium and small. The "rep programmers," as they are popularly known, will exert the same influence over the fates of virtually every one of the more than 100 new and returning shows offered for syndication this fall.

Employed by the handful of major firms that represent local stations to national advertisers, rep programmers claim expertise at building competitive schedules of shows. Most have backgrounds in station programming and production, and all have access to extensive research about how shows fare

or have fared in the ratings. Rep programmers advise client stations about what shows to buy, how much to pay for them, where to schedule them and how to promote them. Their goal is to maximize ratings so that station and rep alike can earn the highest possible revenue from selling time in the shows.

Rep programmers have been influencing station programming decisions since the 1960s, when the reps, which then sold up to 75 percent of a station's airtime, decided it was in their best interest to be sure their stations aired the strongest programming available. In the past ten years, their opinions, and the huge volume of research they generate to assist stations' decision-making, have had a growing impact on which syndicated shows make it to air and how long they stay there.

Most station managers value the reps' input as one more voice in the chorus that helps decide a program schedule. "We use them as a sounding board," says Mike Fisher, general manager of Fox affiliate KTXL in Sacramento, echoing the typical g.m. view on reps.

Program distributors feel differently. Few are thrilled about the clout reps wield in determining which projects will go forward, especially in the dicey area of first-run shows. The influence of the

reps has grown so significantly in recent years that some distributors have altered their marketing strategies to try and blunt the reps' influence. Tensions between the reps and syndicators ran so high earlier this year that some major distributors threatened to avoid the reps altogether when it came time to roll out fall's new first-run shows.

The threats turned out to be just that, but relations between reps and syndicators have reached an all-time low anyway. The reps have taken note, and in a peacemaking effort have begun to curtail the public airing of their negative opinions about new shows.

A few hours after Viacom's *Cosby* presentation, Jack Fentress, v.p./director of programming at Petry National and one of the best-known rep programmers, sits at the computer terminal by his desk, punching in commands. Eight minutes later, he has a year's worth of *Cosby* ratings in each of the 212 markets measured by Nielsen and Arbitron. Alongside them are ratings for programs that occupied the same time periods the year before. Already in Fentress' data base are the programming lineups of all Petry-represented stations, as well as those of the stations with which they compete locally. Information about the ratings and revenue each Petry station generates in each time period are also in the system. Armed with this battery of figures, Fentress is ready for the flood of calls he knows will begin once those of his clients who are *Cosby* incumbents receive their asking prices from Viacom the following Monday.

The first call comes from the general manager of a network affiliate owned by a medium-sized station group. Fentress and the g.m. bandy the offer about and conclude that the ratings *Cosby* generates don't justify Viacom's price tag, even though the renewal price is one-

Petry's Dick Kurlander and Jack Fentress pick the hits and misses in each year's crop of syndicated shows for their client stations.



DO-ERS PROFILE:

MURPHY BROWN

HOME: Washington, D.C.

AGE: 41

PROFESSION: Co-anchor of top-rated "FYI" news magazine.

HOBBY: Singing along with Motown. Loud.

LAST BOOK READ: *MY TURN*. Nancy Reagan. "I wanted to see what she said about me."

VICE: Chewing number 2 pencils.

LATEST ACCOMPLISHMENT: Winning an Emmy for her performance on CBS's number one comedy series.

WHY I DO WHAT I DO: "I couldn't sleep nights knowing the American public was receiving vital information from an ex-beauty queen who can't pronounce 'Shiite!'"

ROLE MODELS: Edward R. Murrow, Studs Terkel, Wile E. Coyote (not necessarily in that order).

PROFILE: Tough, controversial, yet human. More at ease taking on Khadaffi than handling her personal affairs.

FUTURE PLANS: To do for your station what *MURPHY BROWN*, CBS's top-rated comedy, has done for the network.



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third less than the license fee the station now pays to air the program.

All afternoon the calls flood in to Fentress from *Cosby* stations, including a call from the group president of the first caller. He wants to review the first station's decision to ice *Cosby*, and he also wants to know how Fentress feels about his other stations' picking up the sitcom, should the incumbents in their markets opt not to renew. Their 40-minute conversation covers each station's competitive situation and what the *Cosby* deal brings to the table. In most cases it gets the thumbs down.

Ten years ago, a conversation like this one probably wouldn't have taken place. A rep programmer would rarely if ever have gotten a call from a station's general manager and never from the head of a whole station group. Back then, station program directors made nearly all decisions about what shows to buy and where to slot them. "The general manager never saw syndicators, wouldn't know one if he bumped into one on the street," says Dick Kurlander, another of Petry's three programming vice presidents and the former program manager of several Group W stations, as well as WDIV in Detroit. But when program prices began skyrocketing during the early 1980s, the decision of what to buy grew too big for one executive to handle alone. General managers, sales managers, business managers, promotion managers and often station owners and station group heads got in on the act. The advice of programming experts at the reps and at consulting firms like Frank Magid Associates and T.A.P.E. Ltd. (formerly Television Audience Program Evaluation) became more important to stations. The reps got busier, cultivating relationships with more people at each station and participating in the involved process of deciding whether to invest in a show.

Meanwhile, overnight ratings, available in only five markets in 1982, kept expanding so that today they are available for 24 cities, representing 49 percent of U.S. TV homes. The rep firms, anxious to process this flood of new data as quickly as possible, armed themselves with powerful new computer programs. They can now analyze ratings trends in a few minutes instead of the days it took them five years ago, when most pored over books.

The reps' power has been further augmented over the past five seasons by intense competition among the rep



MMT's Jon Gluck saves his programming opinions for his client stations.

firms, which has pushed them to beef up their programming staffs. Slow national spot advertising sales have since caused cutbacks at several of the companies, but they haven't put a dent in the visibility of rep programmers, which began to increase in the mid-1980s.

As the reps fought to hang on to good clients or move up to better ones during a wave of station ownership changes, most sought as much publicity as possible. They encouraged their programmers to share their opinions with reporters if called upon to do so. This not only kept the rep companies' names in front of readers in the TV industry, but it publicized the valuable advice available from their programming departments—a good selling point when trying to win over new clients.

Today, the largest of the reps maintain programming departments of five or six people while the smaller ones employ two or three. Programming staffs represent only a tiny fraction of a rep's total work force, which at the bigger firms can number well over 300. But programming advice is a critically important service from the reps and one most stations would not like to lose. "They bring to bear a perspective not available to the stations themselves," says David Butterfield, president of Cambridge, Mass.-based management consulting firm Butterfield Communications Group. "They have access to much more research and to information—which syndicators often try to keep from stations—about how shows are doing in different markets around the country.

"Every once in a while a rep that's trying to save on costs will trim the size of its programming department," adds Butterfield, a consultant for several reps in recent years. "And invariably, its clients will raise a loud protest."

Trends in the first-run business have also had a significant impact on rep

power. Since 1987, a large number of successful first-run shows have locked themselves into time periods and left few footholds for new contenders. "A station with fewer time periods to fill can spend much longer deliberating about how to fill them," says Jay Isabella, programming vice president at TeleRep. That station also has more time to get outside advice.

But syndicators, frenzied in their efforts to snare scarce time periods, found the reps' ability to sway station decision-makers more and more frustrating. In retaliation, some took a new approach to filling the reps in on their shows.

The lights go down in the oak-paneled conference room at Katz Television Group. The pilot for *What A Dummy*, a new weekly sitcom from MCA Television, starts rolling. Watching are John von Soosten and six other members of Katz's programming department. The show follows the story of a family that inherits a ventriloquist's dummy, only to find out the dummy is a live, wise-cracking character. As one-liners fly, an edgy Shelly Schwab, president of MCA TV Enterprises, and Steve Rosenberg, his Northeast regional sales manager, hear the sound of money—von Soosten and his colleagues are laughing. While the credits roll, Schwab answers ques-



TeleRep's Jay Isabella says it's important for reps to get input from syndicators.

tions from the Katz programmers about where the studio plans to take *What A Dummy's* story line. Then he asks for feedback on the show. To his utter relief, most in the room, including von Soosten, like it.

When pitching stations to buy a brand-new project, which has no ratings track record, a positive recommendation from a rep "is as good as a rating," says Phil Oldham, executive vice president of domestic sales at Genesis Entertainment. Conversely, a "thumbs down" can turn a new idea into a loser almost

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IN FOCUS/Calling the Shots in Syndication

before it is born. "If the general manager's been told by his rep that a show's no good, he'll let you in, but he'll be predisposed against you," says the sales vice president of a large syndication



company. "If the reps don't like your show, there's a good chance it won't get on the air."

Katz's positive response would help substantially in marketing *What A Dummy* around the country. But MCA had hedged its bet against a negative judgment. By the time it went to Katz and the other reps, it had already sold its sitcom to the Fox station group, virtually assuring that a long list of smaller and medium-sized stations would follow its lead and pick up the show—even if their reps advised against it.

MCA is one of many major and medium-sized syndicators that have stopped bringing new first-run projects to the reps before unveiling them to stations. Instead, they delay calling on the reps until they have already shown their shows to key, big-market stations. "We want to get a feel for how the product is being received before we expose it to the reps," says one key regional manager for a major studio's syndication division, which now routinely covers the top ten markets with a new project before showing it to the reps. "We want to set up a perception of our product in the marketplace. That's blown if the reps hate our show," admits

another studio's national sales manager, who also delays going to the reps until covering some top markets.

To be fair, some large syndicators have for years taken their new offerings to station managers in one or two of the biggest markets before screening them for the reps. The biggest stations employ the savviest programmers and syndicators value their input about producing and marketing their programs. "It's difficult to say when the marketing of a new show really begins," explains Jon Gluck, programming vice president of MMT Sales Inc.

But while rep programmers deny syndicators are waiting longer these days to

MCA execs were relieved when Katz programmers laughed during a screening of *What A Dummy*.

bring them their new projects, Joe Weber, former programming vice president at MMT Sales Inc. and now program director at Fox O&O WNYW in New York, confirms that a change has taken place. "In the past, syndicators would come to the reps first with their new shows," Weber says. "But about two years ago, the reps started taking a stronger stand on shows and

Katz's John von Soosten: 'We work for the stations, not the syndicators.'



how they feel they're likely to perform. Before that their role was more telling stations about what shows exist and the deals behind them."

Most reps argue they've always shared their opinions about the likely

performance of shows with station clients. What's changed is the visibility of those opinions. As syndication has grown in importance to TV programming and the investment world, reporters from the trades to *USA Today* have solicited rep opinions.

Syndicators are becoming increasingly steamed over the stand-up soothsayer role reps play in the press. "Most rep programmers deal with each of their clients about whether a show might be viable in a certain time period," complains Dennis Gillespie, senior vice president of marketing for Viacom. "But when the reps deal with the press, there seems to be a contest among them for who can get off the best one-liner about a show." Those rep "sound bites" tell too little of a show's story, Gillespie says, and can leave the reader with the impression that a show is a loser.

Steve Bell, senior v.p. and general manager at Tribune Broadcasting's KTLA in Los Angeles and a former rep programmer himself, calls today's reps "arrogant and simplistic" in their approach to solving station problems, and says that the reps' tendency to "dismiss witheringly" most first-run shows has weakened the development of original programming for syndication. "The reps are frustrated with their inability to make things happen—they don't buy shows, they just give their advice to stations—so they've become masters of the glib," Bell says.

Most broadcasters feel differently than Bell does about their reps' visibility in the press. Although syndicators argue that reps often offend their stations when they pan a show their clients are airing, broadcasters claim it's not a problem, even when selling a panned show to advertisers. "The advertising community responds to the rating, not to what the reps say about shows," says Herman Ramsey, general manager of Tribune Broadcasting's WGTX in Atlanta, summing up the views of his colleagues.

Steve Leblang, vice president of programming at Fox Television Stations Inc., believes the reps can inject "a voice of reason" into station deliberations on syndicated shows. "Some syndicators count on stations to make a decision based on fear or the relationship they have with a syndicator," Leblang says. "A syndicator with a marginal product will sometimes count on stations' lack of information or shortsightedness to get it launched." When there's

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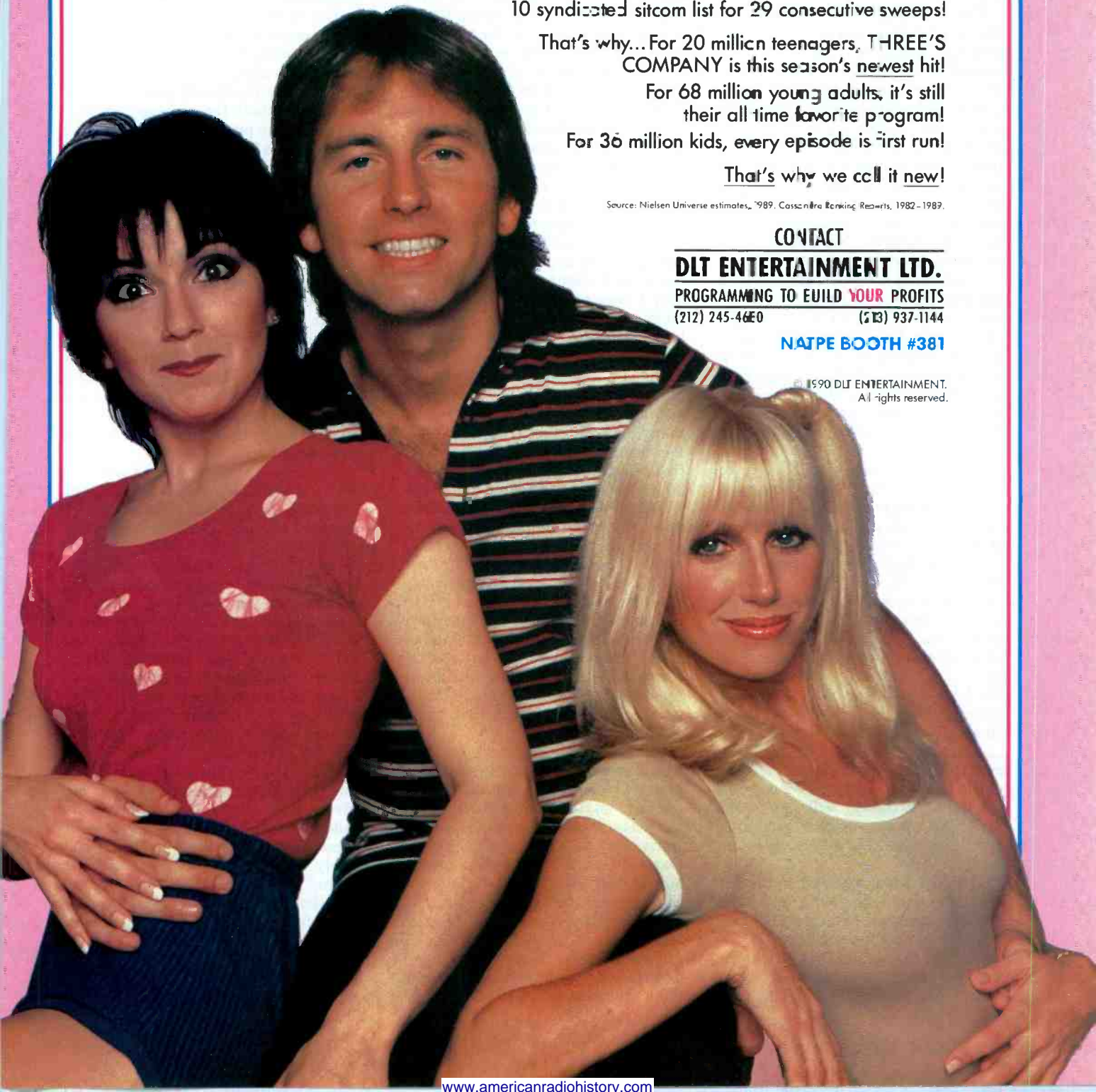
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Who Gave You The Right to Pick the Hits?

How do the reps evaluate original shows? And who is qualified to hold a position as powerful as that of the Broadway critics, who can kill a play on opening night?

That is a subject of terrific debate in the syndication community. Some program distributors argue the reps should never evaluate original programs, but should instead simply supply their stations with information about what shows are available and the terms under which they can be acquired. Others, such as Phil Oldham, executive v.p. of domestic sales at Genesis Entertainment and a former member of Katz' programming department, believe it's the reps' job to be opinionated.

Syndicators have no argument with the way reps try to gauge how an off-network show will do once it makes the switch from prime-time once-a-week exposure to afternoon or evening stripping. Here, the reps evaluate demographics and how audiences are likely to flow in and out of the strip on each client station. It's largely a numbers game.

First-run programs, which have no ratings track records, challenge the reps to use their instincts, experience and knowledge of the marketplace in evaluating whether a new idea will fly. "We look first at whether a show works as a TV show," says John von Soosten, programming vice president at Katz Television Group. "If it's a game, is it a good one to play or is it more celebrity-oriented and based on humor? We look at production values, the host, whether a show is similar to existing ones, how well the show is likely to hold up over time."

pressure from a syndicator to buy "the perfect show to marry to *Jeopardy!*," Leblang says, the rep will step in and say: "Don't make the deal. Wait until everything else that's coming is out there."

There is a vocal minority in the rep community that believes the rep's job is providing the kind of guidance Leblang speaks of and not feeding quotes to the press. Two firms, MMT and TeleRep, make it a policy not to comment on programs to the press at all. MMT's Gluck,

Syndicators deplore some reps' tendency to generalize about whether a show is a hit or a miss. The reps counter that a great many first-run projects are badly conceived and don't deserve to get on the air. "So many shows come to us that haven't been properly thought out in terms of what's needed in the marketplace," says Dick Kurlander, vice president of programming at Petry Television. "If there aren't a lot of important time periods available, does it make sense for 50 game shows to come out?" The reps argue that they rarely make blanket recommendations about a show—they instead look at each client's needs and how various programs might fill them.

Disclaimers aside, rep sentiments can have a big impact on a show's fortunes with client stations. TeleRep didn't recommend GTG Entertainment's *USA Today* when first marketed three years ago and none of its clients took the show.

Similarly, many Petry stations acquired *USA Today* after Kurlander enthusiastically supported it, and many Harrington, Righter and Parsons stations bought *Cosby* after that rep advised that the sitcom would do well as a news lead-in on affiliates.

Stations argue a rep programmer's most important contributions to the process are an objective opinion and a national perspective on what's happening with syndicated programming. Jim Major, general manager at WFTS in Tampa, Fla., and a former Petry programming vice president, maintains: "Rep programmers are no smarter than anyone else. But they offer an objective viewpoint and a perspective of what's going on in other markets that's extremely valuable." K.H.

who is known for never critiquing shows in any public forum, argues: "If I recommend show X, the industry knows our stations might be predisposed towards buying it. Its syndicator then knows he can raise his asking price for our stations and the stations that compete with ours know they can help bid the price up even higher." TeleRep's Isabella says he avoids taking stands on programming in the press because he doesn't want to offend client stations that own shows he doesn't like. For him

there's no upside to pontificating in the media.

But for Janeen Bjork, programming vice president at Seltel, there's a payoff to letting your views be known in the press. High visibility attracts clients. "A firm like TeleRep [one of the biggest reps] doesn't need publicity. At Seltel, [the smallest of the major reps], it's encouraged."

But reviews in the press are a principal reason syndicators have begun to delay showing their new projects to the reps. By avoiding the reps until they've covered key top-market stations, syndicators eliminate the risk that rep one-liners in the press will kill their proposed shows before stations have had a chance to see them.

Then again, such delays could anger the reps by leaving them uninformed about shows their clients may be asking about. "We need the syndication community," says TeleRep's Isabella, who, like the other reps, knows clients value all the information the reps pick up about shows being sold, prices being paid and productions getting underway. To leave the reps uninformed is to threaten one of their most important client services. It's also one way syndicators have pressured the reps recently to cool down their comments on new programming.

Are the reps responding? Last year, Petry changed its annual presentation to clients at the NATPE Program Conference to cover only shows the rep recommended to stations. Kurlander says he and Fentress no longer include shows they don't like because the old presentations took too much time, though he adds that the new format helps dispel the "negative perception" that syndicators have of reps. WNYW's Weber confirms the reps are backing off a bit. "I get the sense in chatting with them that they are," he says. "And I haven't seen as many negative reviews of shows this fall in the press."

So it's the reps' turn to walk the fine line between alienating syndicators and giving their clients the same straight talk as always. "We are sensitive to syndicators' concerns that they be treated fairly and we've discussed this with them," von Soosten says. "But there's one thing they have to remember. We work for the stations, not the syndicators." ●

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Kathy Haley is a New York-based freelance writer.



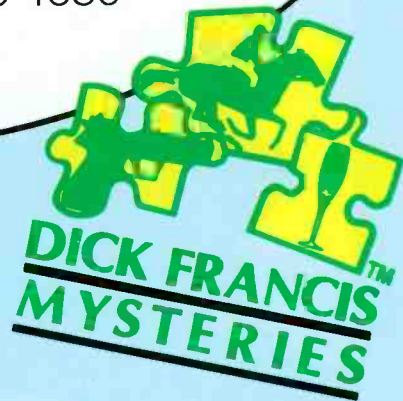
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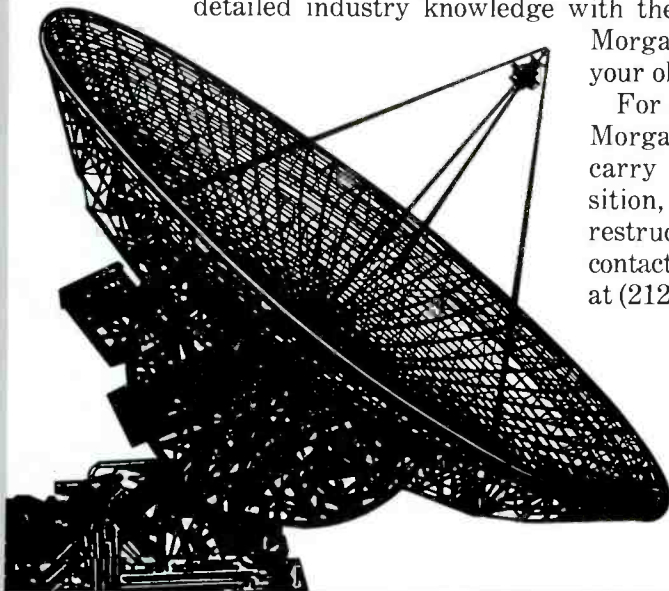
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and
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have sold the assets of
**Rifkin/Michigan City
Associates, Ltd.**
to
**US Cable
of Northern Indiana**
October 1, 1989

Affiliates of
Rifkin & Associates, Inc.
and
Narragansett Capital, Inc.
have sold the stock and
partnership interests in
**Rifkin/Jacksonville
Associates, Ltd.**
to
Continental Cablevision, Inc.
November 1, 1989

The undersigned acted as financial advisor to Rifkin & Associates, Inc.
and Narragansett Capital, Inc. in this transaction.

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Syndication's Hot 20 Outfits

The ranks are closing fast. A powerful eight companies now command more than three-quarters of the market's revenues.

BY NEAL WEINSTOCK

If there is one inescapable lesson in *Channels'* list of the top 20 syndication companies, it is that the strong have grown stronger. In the syndication business, power is now tightly held by a select few companies.

The top eight distributors and sales organizations on *Channels'* 1989-90 chart (see following pages) account for 77.4 percent of the entire U.S. syndication business, as against 64.3 percent one year ago. Beyond the top 20 companies, there's only \$189 million left for the remaining players to fight over. As recently as last year that figure was \$241 million—that's a 21.6 percent drop in one year.

It's little surprise, then, that the syndication industry is rife with talk of mergers, acquisitions and fire sales. "Everybody is in play now," says Henry Siegel, chairman and president of LBS Communications, the number ten company on the list. "I'll listen to offers. I could be part of a larger company in a year." Siegel's comments are particularly revealing considering barely a year ago he wrangled \$38 million in financing to buy out his company from Grey Advertising, LBS's former corporate parent.

There are more signs of turbulence in the syndication market. Its annual revenue growth rate is a paltry 3.5 percent. The lower half of the top 20 operations show negative growth rates; revenues are down from 10 to 40 percent.

If there's one area clearly destined to fuel growth among most syndication outfits it is cable, a marketplace not included in compiling our ranking (see sidebar). Leaders in the business say cable has already had a fundamental impact on how they do business. "We see growth now coming principally in

the cable area," says Stephen Palley, chief operating officer and executive v.p. of King World. "To define syndication as just the TV market is too limited. With a more accurate analysis of what syndicators do now, you'd have to call us 'program marketers.'"

Palley speaks from near the top of the



Jeopardy's Alex Trebek and *Wheel of Fortune* duo Vanna White and Pat Sajak keep the big bucks rolling in to King World.

heap. King World, with nearly 29 percent growth, is again number two on the *Channels* list, but \$7 million away from the top spot. The boys from Jersey are ahead of nearly every Hollywood studio, however, still primarily on the strength of three shows. Yet Palley doesn't talk this year about his company's legendary expertise at researching time slots at stations around the country, or about making exhaustive

sales rounds from Bangor to Walla Walla . . . even King World talks about the sale that means making one deal, not 190 deals. It's that cable deal or the international deal that is now the next step for a King World to institutionalize its strength. An international coproduction may be a tricky venture to finesse, but it can be easy compared with selling 95 percent of the program-glutted markets in the USA, one by one.

The changes underway in the syndication market are going right to the foundations of the business. Annual industry growth would be more like 10 percent, rather than 3.5 percent, if sales to cable were included. Industry concentration would also be accentuated; small syndication companies make relatively few sales to cable.

"You ought to be including all sales to what one might call the secondary market in [*Channels'* top 20] list," suggests Shelly Schwab, president of MCA-TV. Schwab is, understandably, a bit miffed, because counting only sales in domestic broadcast syndication makes MCA's syndication revenues look lower, and makes the powerhouse's growth rate seem a puny 2 percent. Including sales to cable, MCA would be on top of the syndication world. Sans cable, it drops to number three. For this ranking, *Channels* chose to rate companies solely by revenue generated by sales to U.S. broadcast stations, and sales of barter advertising within those shows. Sales to other markets were excluded in order to get a sense of the competitive positioning of companies serving the traditional syndication market.

That explanation leaves Schwab somewhat nonplussed. "The meanings of words change, like the business has changed," he explains. "I'm very sympathetic to broadcasting—that's our business. But the broadcasting community has to recognize what's happening. When you see all of the one-hours, then the movie packages, then half-hour sitcoms going to cable, it's a result of independent stations' reliance on first-run products. They're turning away from all the off-network shows, but off-network has always been the engine that makes independent stations work, that supplies high visibility. There has to be a balance between off-net and first-run to make a station. It's a big, industry-wide mistake. They leave us no choice but to sell to somebody who wants the product. Now local cable

systems may well be ready to borrow a page from the independents and program the way [the independents] used to."

There is already a harbinger of that trend: now-notorious WGRC, the local-origination channel on an ATC cable system in Rochester, N.Y. "I've wondered why it took so long to get to that one sale [in Rochester]," says Henry Gillespie, vice chairman of Turner Program Services, the number eight company on the *Channels* list. "I put on some sales trainees to sell local cable



The Munsters Today: part of the MCA lineup of syndicated first-run programs.

What Goes Into the Ranking

Distributors and barter-sales companies are ranked in the Top 20 chart by gross revenue from U.S. domestic syndication, from both barter advertising sales and cash sales to stations, for the 1988-89 and 1989-90 TV seasons.

Only sales in the U.S. broadcast syndication market are included on this list—not sales to cable, not international sales. It is a harsh restriction, since program sales to foreigners and cable are booming while traditional syndication's growth is slow. Moreover, domestic broadcast syndication is often handled by the same divisions of major distributors that handle the other markets. Several executives were none too happy to see their operations ranked only by their slowest-growing revenue segment. From the buyers' points of view, however, broadcast syndication is still quite distinguishable from other markets, and it is interesting to know where suppliers stand in this market alone.

The future could well change this distinction. Should corporate concentration in broadcasting someday leave little of a station market besides several large co-owned groups that program in unison, then syndication would be hardly different from selling to cable. Before this new decade is over, syndication may be redefined even so far as to include the activities of what Turner's Henry Gillespie calls "the three big syndicators"—NBC, ABC and CBS.

Lots of vendors make total sales to all markets public in their annual

reports, but don't break out syndication. Columbia, probably tops in total TV program sales, claimed revenues of \$620.9 million in the fiscal year ending February 28, 1989; MCA brought in \$591.77 million from TV in 1988. Disney and Warner don't break out TV from theatrical film revenue; Disney totalled \$1.15 billion in 1988, Warner logged in at \$1.57 billion. Paramount's comparable number was \$1.86 billion. These large integers say something about a company's strength in syndication, but not much.

Some level of guesswork is entailed for every company on the list. The margin of error for the 1989-90 season projections is, obviously, much greater than that for 1988-89. Looking over the projections *Channels* made last year at this time for 1988-89, figures for King World Productions and MGM were dead on; for Warner they were off by 2.1 percent. For Turner, *Channels* missed by 16 percent. The average margin of error, including two barter-rep companies gone bust (International Advertising Sales and Teletrib, the latter still extant as a research company) and the redistribution of their business, was 10.9 percent.

This year's more informed estimates for the 1988-89 season aren't perfect either. Most of the work that has resulted in the Top 20 list included a cross referencing of reams of Nielsen data, station schedules, network schedules, airtime prices, lists of offerings from syndicators and barter vendors, news reports of program deals and carefully tabulated scuttlebutt and off-the-record remarks. Everything marketed by each industry vendor was analyzed in

terms of probable price per show or per minute of ad time and number of clearances. In conversation as in financial statements, it can be surprisingly easy to confuse revenues with inventory, and some mistakes surely were made in this compilation. Comparing our initial figures to fragmentary statements made in annual and quarterly reports, however, helped catch some of them. No doubt some remain. Presume an average 5 percent margin of error for last season's revenues, and 10 percent for the upcoming season. Last year, the companies most vulnerable to a miscount were the barter reps, whose business was in a tremendous state of flux.

Barter reps are problematic in another way, too. Camelot, Premiere, IAS and Teletrib are included on the chart as separate entities, though their sales largely transfer revenue to other syndicators who are also on the chart. But for LBS, TPE and Group W, among others, barter representation is integral to their own barter/cash syndication efforts; how should one count that revenue for these companies and not note the sale of barter time for other companies? Further, barter reps in many cases compete directly with the other companies listed on the chart. Their power ought to be understood in context. *Channels'* estimate of the industry total has been adjusted to count their sales only once.

Finally, not all companies report revenue from shows on a multiyear basis over the same time span. Most, however, credit cash revenue as shows air, and barter revenue when the time is sold. The ranking here follows suit.

N.W.

Syndications Top 20 Operations

Syndications Top 20 Operations

Rank '88-89	Rank '89-90*	Company	Percent growth '88-89	'88-89 billings (MIL)	Market share '88-89	'89-90 billings* (MIL)	Industry segment
1	1	Warner ¹	3.3%	\$377	12.0%	\$416	s,br,b,c
2↑	3	King World ²	28.9	370	11.8	392	b,c,br
3	4	MCA	2.0	347	11.0	380	s,br,cn,b,c
4	5	Paramount	4.5	338	10.8	350	s,cn,b,c
5↑	2↑	Columbia	25.1	304	9.7	395	s,b,c
6↑	6	Viacom ³	120.3	290	9.2	297	s,br,cn,b,c
7	7↑	Fox	18.0	230	7.3	287	s,br,b,c
—	8↑	Premiere ⁴	—	—	—	250	rep
8	9	Camelot ⁵	23.3	185	5.9	200	rep
9	10	Turner ⁶	5.7	168	5.4	195	br,cn,b,c
10↓	12	LBS	-18.3	134	4.3	150	b,c,rep
11↓	15	Teletrib/TPE ⁷	-19.7	122	3.9	103	b,c,rep
12↑	11↑	Buena Vista	45.6	115	3.7	185	s,cn,br,c,t
13↑	14	Group W	120.0	110	3.5	120	br,b,c,rep
14↓	—	IAS ⁸	-18.0	100	3.2	—	rep
15	13↑	Tribune ⁷	13.9	90	2.9	137	br,b,c
16	17	Orion	-10.6	76	2.4	85	s,b,c
17	18	Multimedia	14.7	74	2.3	82	b,c
18↑	16↑	Worldvision	40.4	73	2.3	90	s,br,b,c
19	19	New World	5.0	66	2.1	61	s,b,c
20	20	MGM ⁹	9.8	45	1.4	50	s,b,c

KEY:

s = studio

cn = cable network

br = broadcasters

rep = barter sales rep

b = barter

c = cash

↑ = fortunes rising sharply

↓ = fortunes declining

Notes:

Total '88-89 industry revenue (omitting estimated revenue duplication): \$3.142 billion.

Industry growth since '87-88 season: 4.0 percent.

Collective market share of '88-89's eight largest distributors: 77.4 percent.

Collective market share of '87-88's eight largest distributors: 64.3 percent.¹

All figures are estimates based on public financial records, analysis of shows for sale, ratings, purchasing stations and probable sales, estimates of other financial advertising analysts, and, in some cases, corroboration by company executives.

* Projected.

¹ Includes Warner Bros. and Warner Media Sales (formerly Lorimar-Telepictures) revenues. The long-delayed merger took much of the length of the '87-88 season to consummate; Warner's syndication revenues are up only 3.3 percent from both companies' combined '87-88 sales, but are up 35.6 percent over that year's figures for Warner alone. Collective market share for the eight largest companies on '87-88's list was 67.2 percent including Lorimar-Telepictures as part of Warner.

² Includes \$91 million from Camelot subsidiary.

³ Includes MTV Networks' syndication of shows.

⁴ Premiere Advertising Sales, a co-venture of Paramount and MCA, is now the barter rep for those two companies. Its projected '89-90 revenues largely duplicate those estimated for its parents. Barter rep companies' revenues include monies paid in turn by them to producers (like all syndicators who represent other producers' product) or other syndicators. The latter case is of more significance here.

⁵ Camelot's total includes about \$50 million that also must be counted for Disney (Buena Vista), with most of the rest of the company's billings also counted in parent-company King World's total. See note above for Premiere.

⁶ Includes revenues from licensing CNN to stations and from 80-percent ownership of World Championship Wrestling.

⁷ Since March 1, 1989, Teletrib no longer serves as a barter sales organization. It had been a co-venture between Tribune Co. and Television Program Enterprises; it remains a subsidiary of TPE. TPE syndication revenues are estimated in its place for the '89-90 season. Tribune is expected to be handling its own sales '88-89 to '89-90.

⁸ IAS, or International Advertising Sales, was dissolved after the bulk of the '88-89 season.

⁹ A combination of MGM with some other industry player was likely as this issue went to press. Also, Channels estimates the revenues of Spectrum, the barter sales co-venture of Multimedia and GTG, at just a hair less than MGM's. Since '89-90 estimates involve a greater margin of error, Spectrum could arguably have filled the number 20 slot for this year.

1990 NATPE Pathfinder

The advertisers appearing in this directory are exhibitors at the 27th annual NATPE Convention being held in New Orleans at the New Orleans Convention Center Tuesday, January 16th through Friday, January 19th. Exhibitors are featuring their products and services in this directory for your convenience.

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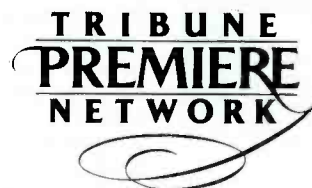
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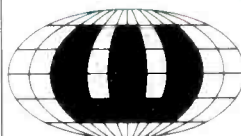
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years ago. . . . You go through a market like Rochester, you get, say, an \$1,100 rate for an off-network show. Along comes a cable channel that can pay about the same, maybe a little less per show, but they can buy five times more shows."

Of course that's only one revenue stream for Turner. The prime focus of the company's business is, not surprisingly, closer to home. "Now, we won't sell syndication to too many cable systems," says Gillespie, "because we save most of our product for TBS and TNT."

Amidst all the fundamental changes in the syndication equation, first-run is still booming. According to Tim Duncan, executive director of the Advertiser Syndicated Television Association, the barter-syndication trade group, that segment of syndication grew by about 20 percent in 1989, to \$1.05 billion. His 1988 and 1989 figures jibe with *Channels'* figures, and he expects barter syndication to grow to \$1.25 billion in 1990. (*Channels'* figures include revenues from barter-rep companies, such as Premiere and Camelot, because the barter revenues of other companies that distribute their own programs are inseparable from the rest of their total syndication figures.)

This year's list reveals a few other bright spots. Two companies showed 120 percent growth for 1988-89: number six Viacom, coming off the initial syndication of *Cosby*; and number 13 Group W Productions, which created a successful barter-rep operation. With

Viacom getting good growth from MTV Networks and Group W sporting a couple of good-looking new shows such as *House Party*, developed with the NBC O&Os, both ought to show continued strength through 1990.

"Certain things need to be addressed right now to take syndication to its next level," says Dan Cosgrove, Group W's vice president of media sales. "We need to provide agencies with better tools: research materials and faster reporting. Nielsen has to have line 22 for electronic monitoring [of spots]. If we get our numbers faster, things will happen for the industry as a whole."

Even in a slow market, some companies seem to do everything right. Number 12 on the list Buena Vista is quickly moving to join the other Hollywood majors at the top of the chart. It grew over 45 percent in 1988-89 and, with the Disney Afternoon block of kid-vid and a couple off-nets coming up, is expected to grow even faster this season. "There are more openings this year than in recent years," says Robert Jacquemin, president of Buena Vista Television. "Contrary to what a lot of people have been saying, there are some very specific needs that broadcasters still have."

Jacquemin shares the view of many of his colleagues that broadcast syndication and cable are evolving into one business. "That shouldn't frighten stations," he says. "It's just the reality of the business."

Columbia's president of syndication, Barry Thurston, offers the subtext to

Jacquemin's comments. The money that comes in from other markets can help producers afford to do better shows, Thurston argues, and that will ultimately prove to be a benefit for stations.

Thurston's company lands in the number five spot, with over 25 percent growth in 1988-89. And Columbia is on the chart with a bullet this year. That's due mostly to new off-network product, most importantly *Who's the Boss?*, and the way that product has been sold and promoted. For Columbia, promotion is a make-or-break factor. "Selecting the right program is critical," says Thurston. "But beyond that you have to let the audience know what you have." In five years, Thurston predicts, there will be less product available in syndication overall, but it will have to be promoted better for stations to compete against cable and four broadcast networks. Says Thurston, "You have to offer stations a long-term commitment to buy into."

If syndication-company honchos aren't talking about fine-tuning their operations, they're speculating about which players are angling to consolidate their clout. Gossip abounds of number four Paramount combining with MCA in a fifth network, despite a failed attempt late last year. Each company owns a piece of USA Network, and the two companies have already formed Premiere to sell their barter time. Separately, Paramount bought a 49 percent share of Zenith Productions Ltd., a British production company.

Other companies, such as Turner and Viacom, have also fueled merger speculation. For the time being, however, there remain eight big companies in tight competition at the top of the *Channels'* list. How close are the big eight? Number six Viacom, for example, has 77 percent of the revenue of number one Warner.

Warner's heading the list this year is historic: It's probably the first time since the 1960s that MCA hasn't been on top in syndication. "We're in a period now where the business is changing weekly—from ownership of the distributors to ownership of the customer base," says Scott Carlin, senior vice president of Warner's first-run division. "Still, a good idea, a good TV show will work. The small producer may have to bring it to a larger one, like in production for the networks or features, but the business is still about strong shows." ●

Back To The Future

From *America's Top Ten* to *Brideshead Revisited* to *Uncle Floyd*, George Back's All American Television will do whatever it takes to survive. **BY NEAL KOCH**

Airborne in economy class to Los Angeles, George Back chomps on his chewing gum, hard and fast. Sure, his wife and kids just forced him to quit smoking, but it's something more than nicotine withdrawal that causes him to shift uncomfortably in his seat. Back has spent weeks psyching himself up for something he is understandably nervous about—going into debt.

Back and the company he founded, small, New York-based program syndicator All American Television, have survived and begun to prosper while competitors who leveraged their balance sheets and floated junk bonds went bust when the syndication market soured in 1986 and '87. "All the pitfalls for his peers," says Mel Harris, Television Group president of Paramount Pictures, "he's managed to avoid."

But now, to cope with a changing marketplace and diversify his business, Back is coaxing himself into new ways of thinking. Any debt Back takes on will be sensible—only for acquisition of proven programs, not for taking fliers on the possible fortunes to be made from original syndicated product. Even though, he sighs, nodding toward first class, that could be his ticket to riding up front.

The company George Back created is a financially conservative small syndication outfit with a history of modest profits and a stock that's far from its high. But its mere continued existence and recently invigorated growth might just provide lessons for companies of all sizes. "We're an anomaly," admits Back, adding with characteristic self-satisfaction, "Once a day I get asked, 'How do you survive?,' or I'm told, 'Your days are numbered.' I'm beginning to enjoy it."

Back's wry survivor wit probably has its origins in his Bronx roots. His aversion to debt, he admits, comes from his Depression-era upbringing.

From his early days, Back was a pop music fan. He considered the music business, but after college and the Army found himself selling oil to gas stations in Buffalo, N.Y. "Checking restrooms was an important part of my job," he says, smiling.

A headhunter found Back a series of jobs in TV syndication that took him



Casey Kasem: All American's greatest hit.

through ABC, Group W and Paramount, where he went in 1977 for one of the studio's short-lived attempts at launching a fourth broadcast network. At Group W, he first developed the idea of selling shows for a combination of cash and barter, starting with *The Mike Douglas Show*. Meanwhile, he attended New York University at night, earning a Ph.D. in communications with a dissertation on the prime-time access rule.

The first executive director of NATPE, Back is probably the closest the syndication business gets to a resident intellectual, making a point of appearing often on industry panels. Given the size of his company, Back has established an unusually high industry profile for himself. "He's always had a broader view," says Paramount's Harris.

That's not to suggest that Back is pretentious. His inventory of shows spans the good, the bad and the ugly. They range from the high-toned *Brideshead Revisited* to the low-rent comedy *Uncle Floyd*, now defunct. To those who know Back there is nothing inconsistent about the Ph.D. and *Uncle Floyd*.

Joel Gallen, vice president for production at MTV, once shared a desk with Back as the "associates" in George Back & Associates, All American's predecessor. "He could be surrounded by a roomful of shirts and ties and he could totally lose it," says Gallen, referring to Back's predilection for dropping an acerbic one-liner or blowing his nose too loudly when a meeting seemed too somber.

Explains Back, "We take ourselves too seriously in this industry, particularly those who get too pumped on this 'show business' as the end all and be all." Nevertheless, he's toned down his antics: "Since we went public, [my sense of humor] is a little more covert."

Back doesn't go in for the standard syndicated salesman techniques of pounding fists on the desks of station executives or calling in favors to make sales. "If you have to do [a deal] because I'm your friend," Back says, "I'd rather you not do it." This may be part of a good-cop, bad-cop routine: After reaching a general agreement in a deal, Back prefers to turn over the down-and-dirty bargaining to others.

By most accounts Back runs a financially conservative ship. He founded All American as a private company in 1982 on the basis of one show that has been its mainstay, *America's Top Ten with Casey Kasem*, a weekly run-down of the pop music chart. Focusing on the key 12-to-34-year-old demographic, the company added such shows as *New York Hot Tracks*, *American Video Awards* and *Rock 'N America*. "Ever since we were only the *America's Top Ten* company, half the company was devoted to finding the next program, the next asset," says Back.

In 1985, along with many syndicators and cable system operators, All American went public in a hot market for new stock issues. With the company having reported a net profit margin of nearly 20 percent on revenues of \$7.2 million, its offer of 600,000 shares at \$7.50 each was oversubscribed, with the stock going on to trade as high as \$15.50 the following year.

But then, mainly due to an expensive

Calling the Shots in Syndication/IN FOCUS

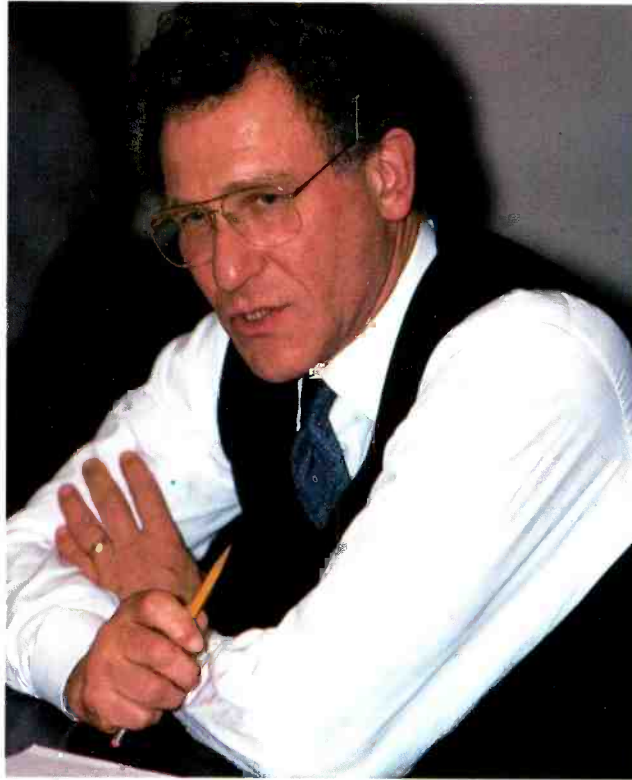
music-video show that flopped, *Deja View*, advertising revenues for the company fell 27 percent. Fiscal year 1987 produced the company's only yearly loss so far—\$851,000—and All American's stock fell to \$1. The fiscal year ended in June. In October, the stock market crashed, sending many small syndicators staggering, and others out of business.

But All American still had the more than \$2 million left over from the company's initial stock offering. All American moved to diversify its operations from dependence on a handful of shows. It had already begun branching out earlier in the year from one of its bases in news services. Back, a former vice president and general sales manager for Group W Productions, expanded his company's relationship with Group W, for whom it had been distributing Newsfeed Network, a satellite-delivered news service for local stations. All American added Group W's personal finance series and group of inserts by Steve Crowley, the "Money" editor of *Good Morning America*. As with Newsfeed, they were sold for cash. All American also sold, on a barter basis, Group W's daily *The Entertainment Report*.

All American further diversified into feature-film barter distribution under the title *All American Feature Theater*. In addition, the company acquired U.S. syndication rights to *Beyond Tomorrow*, a series produced for the Fox network, and expanded its barter sales representation for other distributors. Fox canceled the show, but All American hopes to keep it alive in syndication.

Back also set his sights on foreign markets to build for the future. He created an international sales department and acquired international distribution rights to programming.

The company's earnings recovered from the 1987 trough. For 1988 All American posted net profits of \$245,000. This was still one third below 1985, but nevertheless, some investors saw promise. All American's stock doubled from a year earlier to \$3 as Allied Entertainment Holdings PLC, a British syndicator, bought 6.6 percent of All American. "What attracted us," says



George Back: a syndication intellectual with a sense of humor.

Allied chairman Edward Simons, "is that it's a very nice little company with a clean balance sheet." And, at \$3 a share, with only about 2 million shares outstanding, says Simons, "there's practically no downside to [the investment]."

Industry research house Paul Kagan Associates rated All American as the second most undervalued publicly held syndicator, behind Laurel Entertainment (now a part of Spelling Entertainment). Then fiscal 1989 net income almost tripled on a less than 50 percent increase in revenues, due in significant part to increased sales in foreign markets and to basic cable (e.g., *Beyond 2000*, the Australian version of *Beyond Tomorrow*, on The Discovery Channel, and news updates for USA Network).

Late last fall the stock was still at around \$3, with Allied remaining the only institutional holder of All American to buy its shares on the public markets. (Grey Advertising subsidiary LBS Communications holds a 6.2 percent stake as a result of investing well before All American went public.) And All American was sitting on about \$3 million in cash. But, with Back owning more than 21 percent of the stock himself and insiders as a whole holding more than 56 percent, the company seemed in little danger of a hostile takeover. While Back and his colleagues say they're too young to cash out and move to Florida, they've clearly got

their sights set on building the company's future value.

At the behest of his colleagues, Back has been trying to become comfortable with the concept of debt for the acquisition of specific hard assets. First-run production likely will become an increasingly smaller percentage of the company's business. "We're successful as distributors," says Back. "But we have not been successful as producers. . . . I've been stymied by producing anything outside *America's Top Ten* that has lasted much more than one year." Back's two new shows for the 1989-90 season have been *Crimestoppers 800* and *Inside Video This Week*. As of early November, *Crimestoppers* ranked 58th and *Inside Video* 90th for the season in the Nielsen national syndication listings. Back could

not confirm that the programs would be a go for the coming season. All American's two new offerings at NATPE are a film package and *All Together Now*, a weekly hour variety show hosted by Peter Noone, formerly Herman of Herman's Hermits.

Late last fall Back's colleagues were seriously studying a confidential solicitation to bid on part or more of Qintex Entertainment's library. And All American was bidding to distribute the films of a new alliance of small, independent Hollywood producers. Back wants a stable of long-term assets. Because the film market is soft, Back sees this as a good time to buy. "If broadcast doesn't come back to films, cable will," he says. Cable earnings already account for about 25 to 30 percent of All American's profits, estimates Joe Kovacs, executive vice president for legal and business affairs.

All American will still venture into first-run, but only within the limits of operating revenues, Back insists.

"We're long-haul players," says Back without hesitation. "We don't take the view that you stand on the edge of a cliff and say 'If we make this, great! And if we don't, it's other people's money.'" As a result, "Our first four years have been less than Wall Street's dream, but we were told early on to run our business and forget about the Street. We took it to heart." ●

A Whimper, Not a Bang

Now that the syndex histrionics have died down, the players are busy jockeying for advantage in the new environment.

BY DAVID BOLLIER

For a generation, the saga of syndex—syndicated exclusivity—has been the television industry's perennial soap opera, a drama replete with melodramatic accusations, dastardly villains and self-anointed heroes. Now that the FCC syndex rules are finally back on the books after a ten-year absence, the histrionics are being replaced with a more businesslike attitude. Despite pockets of disruption, no one seems *too* upset.

"We've instructed our stations to try to negotiate something with cable systems that is not so punitive," says a conciliatory Tom Goodgame, president of Group W Television. While Group W fully intends to protect itself against duplication of big-ticket programming, it will only "selectively" invoke syndex in markets where there is a large, natural overlap of signals, as in the Boston and Providence markets, says Goodgame. Across-the-board requests for syndex protection "would create more problems than it would be worth," he claims.

At the other extreme, struggling independents in highly competitive markets may grasp at whatever modest benefits syndex provides. When WTMV, the third-rated indie in the Tampa-St. Petersburg market, sought carriage on a local cable system, the system demanded that WTMV forfeit its syndex rights in return. Although WTMV g.m. Dan Johnson puts a happy face on such strong-arm tactics—"I'm not crying about syndex these days," he says—it's also true that invoking syndex would not give the station much more than exclusive local rights to *The Gong Show* and *The Dating Game*. As a small indie, WTMV cannot afford much first-run syndication product and frequently cannot even buy syndex pro-

tection at any price.

Barter syndicators already miss the national clearances that the superstations once provided, causing people like Don Hacker, executive v.p., Tribune Entertainment, to worry that syndex could hurt "borderline" first-run syndicated product "a great deal." But the research director of a major studio shrugs: "People are still buying shows they're interested in. Anytime there's change in



Syndex: A problem for *Cosby* in syndication?

the marketplace there's apprehension. Syndex is more of a bookkeeping hassle than anything else."

As if conceding that syndex is not a gold-plated issue, Paramount and other studios reportedly granted retroactive syndex rights to some of their programming. "The studios recognize that they feed at the syndication trough," explains Harry Pappas, whose Pappas

Telecasting operates three indies. The move is "a gesture of goodwill and in part long-term self-interest."

Only two years ago, FCC syndex proposals were inspiring bug-eyed prophecies and overheated rhetoric from all parties concerned. United Video, the satellite carrier for several superstations, foresaw a "maelstrom of confusion" and Tribune Co. predicted "extensive blackouts of programming" if syndex returned. Turner Broadcasting System proclaimed that syndex "would destroy the world as we know it."

When dawn broke on January 1, however, both the burdens and benefits of syndex proved to be far less dramatic than predicted. Most of the major distant signals, led by WTBS, had already made their schedules "black-out-free," or nearly so. Many cable operators are grumbling about program blackouts, new equipment purchases and syndex paperwork, but are dutifully complying with the rules. Even broadcasters, while giddy at their rare victory over cable, are not anticipating dramatic increases in ratings or ad revenues. "It's not going to be a 6.9 on the Richter scale," says Peter Kohler, president of Gannett Broadcasting.

Why such an anticlimactic ending to one of the hottest regulatory issues of the 1980s?

"The syndex rules recognize legally what has already happened in the marketplace," says Bert Carp, vice president of government affairs for Turner Broadcasting System. Once the FCC issued the new rules in August 1988, most players in the business began writing syndex clauses into new contracts. When the U.S. Court of Appeals finally upheld syndex last November, no one was the least bit surprised.

Broadcasters would seem to have the most to gain from syndex. Nationwide, the FCC calculated that 5 to 80 percent of the audiences that broadcasters once attracted were being diverted by imported signals, with most stations falling into the 25 to 45 percent range. In the Atlanta market, for example, *Cheers* was slotted at 7 P.M. on superstation WGN, just before local station WATL's 7:30 airing. WATL program director Don Hess estimated WGN was stealing at least one rating point from WATL's *Cheers*, siphoning away as much as \$500,000 in ad revenue a year.

Will syndex steer "lost" viewers back to broadcasters? Or will they wander into new programming served up by

superstations and cable's new niche channels? Over the long haul, stations could suffer the greater harm if cable uses blacked-out program time to sell more local ad avails. Even worse, more operators might emulate ATC's new local cable station, WGRC, in Rochester, N.Y., which buys its own syndicated shows and originates local programming.

Given the costs and complications of "cherry-picking" a distant signal, regional indies could be hardest hit by syndex. Such powerhouses as KTLA Los Angeles, WSBK Boston and KTVT Dallas may find that cable systems in outlying markets will bump them, especially if they carry a lot of popular off-net fare such as *Cheers* and *Cosby*. Steve Bell, KTLA g.m., remains unfazed: "We sell our DMA [designated media area], not our total survey area, to advertisers. Obviously, we don't want to lose our audience outside the DMA. On the other hand, I don't see a lot of impact. I think [syndex] is a tempest in a teapot."

Bell's confidence may have a lot to do with the trump card that the larger regional indies hold: *sports*. "The Red Sox and the Bruins are one of the reasons we're picked up by cable," says Leslie Savage, program director for Boston superstation WSBK. Cable systems bumping regional indies face the wrath of thousands of enraged sports fans.

Although the largest superstations have fought syndex from the start, they no longer predict disaster. Even though United Video vowed further legal action, it anticipates that WGN, the blackout-free Chicago superstation it carries, will be a popular substitute for regional indies bumped from cable systems. With impressive cumes and exclusive rights to the Chicago Bulls, Cubs and White Sox, United Video now expects WGN to expand its national coverage in 1990, albeit at the expense of three regional indies it also carries.

Syndex thus forces the superstation into the alien role of programmer. To avoid blackouts on WWOR and WSBK, two superstations it transmits, Eastern Microwave bought more than 35 hours of substitute programming. Such forays could eventually lead superstations to "evolve into program sources of their own," speculates Gil Korta, national marketing director of Eastern Microwave. For the moment, however, monitoring the transition to the new syndex environment is challenge enough.

Syndex's impact may be muted, but that doesn't mean broadcasters would renounce their hard-won rights. "Syndex is not much of a factor today," admits Group W's Goodgame, "but if [television] had been allowed to continue [without it], its long-term effects would have been significant." Cable would have been able to continue to erode broadcasting market share using broadcasters' own programming. Now, at least, any future erosion will have to come from *new* cable programming, says Goodgame.

political backlash already afflicting the industry. Whether cable fills in program blackouts or substitutes new channels altogether, customers chafe. "People won't ever forgive us if we drop a channel," groans Karen Baxter, director of public affairs and chairman of the syndex task force for the ATC cable system in Reading, Penn. Yet filling in blackouts can be cumbersome and expensive, and the program inserts cannot be readily promoted.

"The big question," opines TBS' Carp, "is, how angry will people be, and



Cheers is the kind of expensive syndicated show TV stations wanted to protect with syndex.

That's precisely why syndex could turn out to be a blessing in disguise for cable, contends program distributor David Fox of Fox/Lorber Associates: "Syndex dramatically helps cable by forcing them to declare their own identity. Through their own dumb luck, cable has been given a present with syndex because they'll be able to offer better and more clearly defined programming." It may be no coincidence that a number of new niche services—comedy, movie classics, consumer news, and even a western channel—have recently appeared. One superstation official estimated that there could be four to six million subscribers up for grabs as cable operators drop distant signals and add new channels.

However inviting this opportunity, it could be an inauspicious time for cable to make major programming changes. Many cable systems jacked up their subscriber fees on January 1, adding to the

who will they be angry at—government, cable or broadcasters?" To minimize any public outcry, most cable systems have been meeting with local officials, running explanatory TV spots, and sending "bill-stuffers" to subscribers. In many locales, systems and stations have actively cooperated to ease the syndex transition.

In a fast-changing TV environment in which telephone companies are clamoring to get into cable and cable is reaching into more homes with its own original programming, the once-crucial syndex issue is only a shadow of its former self. Stan Moger, president of SFM Entertainment, a syndication company, has a simple explanation: "Syndex is about people trying to hold on to a past that doesn't exist anymore." ●

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Contributing editor David Bollier is a Connecticut-based freelance writer.

Show and Tell: NATPE Listings

This year's offerings are heavy on pop nostalgia and game shows that recycle concepts.

Compiled by Marcy Lerner, Matthew Natale and Hilary Semel.

AMERICA'S HIT LIST



A weekly half-hour magazine featuring the "popular" in popular culture. Hosted by San Francisco talk-show personality Patrick Van Horn and Sharon Wyatt of *General Hospital*.

EPISODES: 39	PRODUCER: Company III Productions Inc.
PREMIERE: September '90	DISTRIBUTOR: Viacom
DAYPART: Weekend access	DEAL: Barter (2.5 national/4 local)

BABY BOOMERS



A weekly half-hour "time capsule" tour through the popular media of the recent past. Hosted by Davy Jones of the Monkees and news reporter Carolyn Travis.

EPISODES: 26	PRODUCER: Travisty Productions
PREMIERE: Fall '90	DISTRIBUTOR: J. M. Entertainment
DAYPART: Early fringe	DEAL: Barter (3 national/3.5 local)

BIG BREAK



Natalie Cole hosts a weekly one-hour showcase for new talent featuring acts from around the country.

EPISODES: 26	PRODUCER: Multimedia
PREMIERE: September '90	DISTRIBUTOR: Multimedia
DAYPART: Prime time	DEAL: Barter (6.5 national/6.5 local)

THE CHALLENGERS



Three contestants try to answer trivia and current events questions posed by the eternally youthful Dick Clark. Half-hour strip in production 52 weeks a year.

EPISODES: 260	PRODUCER: Dick Clark Productions with Ron Greenberg Productions
PREMIERE: Fall '90	DISTRIBUTOR: Buena Vista TV
DAYPART: Early fringe and access	DEAL: Cash + barter (1 national/5 local)

ENTERTAINMENT COAST TO COAST



Hour-long entertainment news and features strip taped in front of a live audience.

EPISODES: 195	PRODUCER: First Media Entertainment
PREMIERE: September '90	DISTRIBUTOR: Viacom
DAYPART: Late night	DEAL: Cash + barter (6 national/8 local)

GRAHAM KERR



Health-conscious cookery by television's galloping gourmet in a half-hour strip format, featuring guest celebrities, world-renowned chefs and a studio audience. The package includes 30-second vignettes produced with the American Heart Association.

EPISODES: 170	PRODUCER: West 175 Enterprises Inc.
PREMIERE: Fall '90	DISTRIBUTOR: MTM TV Distribution Group
DAYPART: Daytime	DEAL: Cash + barter (1 national/5.5 local)

ALL TOGETHER NOW



Peter Noone, previously incarnated as Herman of Herman's Hermits, hosts a weekly one-hour variety/nostalgia show. Includes sing-alongs and special guests.

EPISODES: 26	PRODUCER: Scotti/Vinnedge TV
PREMIERE: Fall '90	DISTRIBUTOR: All American TV
DAYPART: Early fringe and access	DEAL: Barter (5.5 national/6.5 local)

Calling the Shots in Syndication/IN FOCUS

THE JOKER'S WILD



The new access version of the original *Joker's Wild* game show.

EPISODES: 195 PRODUCER: Kline & Friends

PREMIERE: September '90 DISTRIBUTOR: Orbis Communications Inc.

DAYPART: Access and late fringe DEAL: Cash + barter (1 national/5 local)

KELLY AND GAIL



Writer-producer Gail Parent and KNBC Los Angeles anchor Kelly Lange talk about such male-female issues as how to fit sex into a tight schedule.

EPISODES: 195 PRODUCER: KNBC

PREMIERE: September '90 DISTRIBUTOR: Tribune

DAYPART: Daytime DEAL: Cash + barter (2 national/4.5 local)

LOVE THY NEIGHBOR



Hosted by Paul Ryan, *Love Thy Neighbor* is sort of a *People's Court* with mob rules. Neighbors state their grievances face to face. The studio audience votes on which one is right.

EPISODES: 195 PRODUCER: Profile Productions

PREMIERE: Fall '90 DISTRIBUTOR: GTG Marketing

DAYPART: Early fringe DEAL: Cash + barter (1 national/5.5 local)

MONOPOLY



A game show based on the Parker Bros. perennial. Half-hour strip.

EPISODES: 195 PRODUCER: Merv Griffin Enterprises

PREMIERE: September '90 DISTRIBUTOR: King World

DAYPART: Early fringe and access DEAL: Cash + barter (1 national/5.5 local)

MY TALK SHOW



Off-the-wall half-hour talk show strip set in the housewife/hostess' living room.

EPISODES: 150 PRODUCER: Second City Ent. in assoc. with Imagine Television

PREMIERE: June '90 DISTRIBUTOR: MCA-TV

DAYPART: Late night DEAL: Barter (3.5 national/3.5 local, except 4th quarter 4/3)

NAME THAT TUNE



Another tried-and-true game show returns with a '90s look.

EPISODES: 100 PRODUCER: Pasetta Productions

PREMIERE: September '90 DISTRIBUTOR: Orion

DAYPART: Access DEAL: Cash

THE NEW ADAM-12



A recreation of the popular police series from the late '60s and early '70s, with new partners on patrol.

EPISODES: 52 PRODUCER: The Arthur Co.

PREMIERE: Now airing DISTRIBUTOR: MCA-TV

DAYPART: Early fringe, access and late night DEAL: Cash (packaged with *The New Dragnet*)

THE NEW DRAGNET



Just the facts: Jack Webb's deadpan cop show returns with new stars.

EPISODES: 52 PRODUCER: The Arthur Co.

PREMIERE: Now airing DISTRIBUTOR: MCA-TV

DAYPART: Early fringe, access and late night DEAL: Cash (packaged with *The New Adam-12*)

ONLY YESTERDAY



A news magazine hosted by former NBC reporter John Palmer covering past as well as present events. Some use of recreations.

EPISODES: 230 PRODUCER: King World

PREMIERE: September '90 DISTRIBUTOR: King World

DAYPART: Access, early fringe and late night DEAL: Cash + barter (1 national/5.5 local)

PREVIEW



A live half-hour infotainment strip. Fashion, music, movie and other popular-culture news, with via satellite reports from "experts" in each field.

EPISODES: 260	PRODUCER: Al Masini
PREMIERE: Fall '90	DISTRIBUTOR: Television Program Enterprises
DAYPART: Access	DEAL: Cash + barter (1 national/5.5 local). Sold in a package with <i>Preview: The Next 7 Days</i> , a one-hour weekend companion show available for barter (6.5/6.5).

PRIVATE AFFAIRS



Family and friends air their private disagreements in this half-hour strip, hosted by Cindi Rinehart.

EPISODES: Strip	PRODUCER: Max III Production in assoc. with Multimedia, Kelly Entertainment and Procter & Gamble
PREMIERE: September '90	DISTRIBUTOR: Multimedia
DAYPART: Daytime	DEAL: Cash + barter (1 national/5.5 local)

A QUESTION OF SCRUPLES



Provocative marital, social and moral dilemmas are the subjects in this half-hour talk show, another board-game spinoff.

EPISODES: 130	PRODUCER: Sunbow Productions
PREMIERE: September '90	DISTRIBUTOR: Worldvision
DAYPART: Early fringe and daytime	DEAL: Cash + barter (1 national/5 local)

THE QUIZ KIDS CHALLENGE



Teams of three kids and three adults compete against each other in a Q&A format. Half-hour strip.

EPISODES: 175	PRODUCER: Guber-Peters Television
PREMIERE: Fall '90	DISTRIBUTOR: Guber-Peters Program Sales
DAYPART: Early fringe and access	DEAL: Cash + barter (1 national/5.5 local)

SUPER COP



A weekly half-hour action/adventure series set in the near future. Heavy use of special effects helps create the requisite 21st-century atmosphere.

EPISODES: 260	PRODUCER: Premiere Ltd. Productions Inc. in association with Viacom Enterprises
PREMIERE: October '90	DISTRIBUTOR: Viacom
DAYPART: Weekend access and early fringe	DEAL: Cash + barter (3 national/3.5 local)

TRUMP CARD



As in the airline, the tower, the castle, etc. Three contestants try to fill in their "Trump Card" by answering questions posed by host Jimmy Cefalo. Experimental viewer participation will expand in the second season. Half hour strip.

EPISODES: 170	PRODUCER: Createl Ltd. and Fiedler/Berlin Prod. in assoc. with Lorimar Television
PREMIERE: Fall '90	DISTRIBUTOR: Warner Bros. Domestic TV Distribution
DAYPART: Access	DEAL: Cash + barter (1.5 national/5.5 local)

TV PERSONALS



This late-night offering marries TV and technology to match up America's singles. Weekly half hour.

EPISODES: 26	PRODUCER: Ernest Chambers Productions
PREMIERE: April '90	DISTRIBUTOR: LBS
DAYPART: Late night	DEAL: Barter (3 national/4 local)

VOICES OF AMERICA WITH JESSE JACKSON



Erstwhile presidential candidate Jackson hosts a one-hour weekly talk show. Executive produced by Grammy winner Quincy Jones and former CBS News president Van Gordon Sauter.

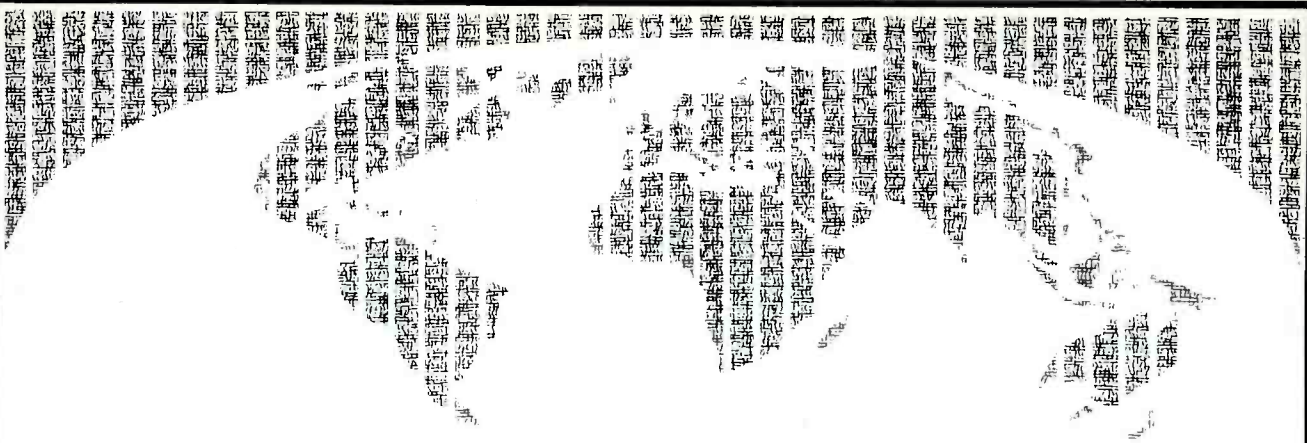
EPISODES: 40	PRODUCER: Quincy Jones in assoc. with Jesse L. Jackson Productions.
PREMIERE: Fall '90	DISTRIBUTOR: Warner Bros. Domestic TV Distribution
DAYPART: Weekend access, prime time and late news adj.	DEAL: Barter (7 national/7 local)

WAKE, RATTLE, AND ROLL



A half-hour kids strip combining animation, live action and animatronics.

EPISODES: 130	PRODUCER: Hanna-Barbera
PREMIERE: September '90	DISTRIBUTOR: Worldvision
DAYPART: Morning	DEAL: Cash + barter (2 national/3.5 local)



Centel Cable Television Company
has sold the assets of its
Central Florida Operating Group
 to
American Television and Communications Corporation
 August 1989

Centel Cable Television Company
has sold the assets of its
Michigan Operating Group
 to
C-TEC Corporation
 August 1989

Centel Cable Television Company
has sold the assets of its
Ohio Operating Group
 to
Warner Cable Communications Inc.
 August 1989

Centel Cable Television Company
has sold the assets of its
Illinois Operating Group
 to
Jones Intercable Inc.
 October 1989

Centel Cable Television Company
has sold the assets of its
Kentucky Operating Group
 to
Simmons Communications
 November 1989

Centel Corporation
has sold the stock of
Centel Cable Television Company
which holds the assets of its
Southeastern Florida Operating Group
 to
Adelphia Communications Corporation
 December 1989

*The undersigned structured the transaction
 and acted as financial advisor to both
 Centel Cable Television Company and Centel Corporation.*

MORGAN STANLEY & CO.
 Incorporated

Providential Pairing

by Paul Noglows

Two veteran deal-makers pick up where they left off—with a new partner.

What do you get when you mix two proven media investors, one high-profile Wall Street investment banker and the financial backing of one of America's largest insurance companies?

Providence Media Partners, a new limited partnership, expects to spend \$300 million on acquisitions in cable TV, broadcasting, newspapers and other media during the next three to five years. The venture brings together the talents of Gregory Barber and Jonathan Nelson and Lazard Freres & Co. principal Steven Rattner. An aggressive deal-maker, Rattner built his one-man show at Morgan Stanley & Co. into one of the most successful media finance groups before moving to Lazard Freres. Since joining forces at Narragansett Capital in 1983, Barber and Nelson have invested more than \$200 million in media transactions requiring more than \$1 billion of total financing. Prudential Insurance Co.'s commitment of \$50 million represents the first institutional backing for Providence Media Partners, which should be fully subscribed and ready to deal by the second quarter.

What's innovative about Providence is the fact that a Wall Street investment bank, Lazard Freres, is investing its own money (about \$7 million) and expertise in a private fund. Its objectives, however, are no different than those of the limited partnerships managing partners Barber and Nelson have organized and administered at Narragansett throughout most of the '80s. "We've raised funds in the past and this new fund just allows us to continue our investment activities in media properties," Barber says. "This is new capital for us to continue what we've been doing all along."

The pair typically make careful acquisitions in cable, broadcasting and newspapers, increase value and then sell the properties when the market is willing to pay a premium. "We don't rely on financial engineering to make money," Nelson explains. "We are in the



business of building value. The subscriber base we have in cable surprises a lot of people because they expect to see it made up of a few huge systems serving upwards of 50,000 subscribers when in fact we built it up through add-on acquisitions and new passings. We did it from the ground up." Nelson and Barber focus on "undermanaged positions" where they can make a difference by adding owner/managers committed to improving the performance of the holding. "That's a little different than the headline kind of deals where company A merges with company B and spins off sub-companies C1 through C7 to repay the debt from the merger," Nelson points out.



A rich new start for Nelson and Barber.

While the objectives of the fund may not differ from those of past efforts, all involved say the combined strengths of the players offer great opportunity. "We've worked with many investment bankers and we intend to work with others in the future," Nelson says. "There is not a restrictive covenant that ties us together, but it's really based on respect and confidence in the other parties' contributions to a transaction. We thought Steve [Rattner] understood our business very well. That was distinctive. We know each other well and we think it is a powerful combination."

Rattner shares the enthusiasm. "They know how to invest money, we [limited partner Lazard] know how to raise it and we know how to structure deals," he says. Rattner says Lazard particularly values Barber and Nelson's investment and management skills, considering today's increasingly skittish financing environment. "It was very important to have very experienced and talented people making and managing the investments," he says, "rather than us trying something we've really never done before."

Nelson and Barber will continue to manage Narragansett's media assets—cable systems serving 275,000 subs, two former Knight-Ridder TV stations, seven radio stations and newspapers in Michigan, Texas, Kansas and Oklahoma—until they're sold in the natural business cycle. Narragansett will not raise funds or make further purchases and the assets sold by Narragansett will not be purchased by Providence, according to the partners.

While the partners say they're also interested in outdoor advertising and cellular communications, Nelson says: "What Greg and I have been doing for the last seven years is a good indicator of what we will do with Providence. It will look like a multimedia company when we are done." ●

Contributing editor Paul Noglows is editor of Media Business.

Cable Net Ad Revenues by Daypart

Cable advertising revenues have grown significantly in recent years, outpacing most of its competition in percent growth. USA Network showed the strongest overall growth of all the cable networks tracked by the *Broadcast Advertiser Reports* for the first three quarters of '89, ringing up a 56 percent increase in ad billings from the previous year.

It also outpaced the other nets in two dayparts — nighttime and late-night. The Family Channel garnered the highest billings increase in weekday daytime, and CNN did the same for daytime on the weekends.

Ad Sales for the First Nine Months of 1989 (percent change from nine months in 1988, by daypart)

Network	Daytime (Mon-Fri, 6 a.m.— 6 p.m.)	Daytime (Sat-Sun, 6 a.m.— 6 p.m.)	Nighttime (Mon-Sun, 6 p.m.— 12 mid.)	Late-night (Mon-Sun, 12 mid.— 6 a.m.)	Total by net- work (Total billings in millions)
TBS	12.7%	13.3%	24.6%	52.0%	23.3% \$195
ESPN	28.3	25.2	40.3	30.9	34.6 126
USA Network	24.3	41.5	72.4	57.0	56.0 119
CNN	30.2	41.8	19.9	49.8	28.0 95
MTV	25.9	29.2	19.6	-0.7	19.8 79
Family Channel	45.2	27.3	53.2	24.1	43.7 74
Daypart Totals	24.8	26.8	36.7	35.7	NA/NA

Source: Donaldson, Lufkin & Jenrette, using material from *Broadcast Advertiser Reports*.

Keeping Up the Pace

Station deals maintained their second quarter pace during the third quarter of 1989. One slightly unusual transaction was the Boston Celtics' purchase of Fox O&O WFXT, whose previous owner, News Corp., had to sell because of cross-ownership restrictions. The station expects to remain a Fox affiliate, even though it also plans to carry all away Celtics games, inviting programming conflicts. On another note, new indie group Chase Communications picked up two stations, raising its total to five.

BUYER	SELLER	PROPERTY	PRICE (MIL)
North Star Television Group	Magnolia Broadcasting, a subsidiary of Price Communications	WAPT Jackson, Miss. WZZM Grand Rapids, Mich. WSEE Erie, Pa. WNAC Providence, R.I.	\$120
Chase Broadcasting	Atlin Communications	WATL Atlanta, Ga. WXIN Indianapolis, Ind.	120
Anchor Media Holdings	Crump Communications	WCSC Charleston, S.C.	61
Granite Broadcasting	Landmark Television	KNTV San Jose, Calif.	59
Boston Celtics	Fox TV Stations, a unit of News Corp.	WFXT Boston, Mass.	20

Sources: *Media Business and Channels*.

★ RATINGS ★

TOP NETWORK SERIES

First 9 weeks of season, Sept. 18, 1989, through Nov. 19, 1989

SERIES / NETWORK	RATING / SHARE
1 Roseanne / ABC	25.4 / 39
2 The Cosby Show / NBC	25.1 / 41
3 Cheers / NBC	24.0 / 38
4 A Different World / NBC	23.4 / 37
5 Golden Girls / NBC	21.2 / 37
6 Dear John / NBC	20.1 / 32
7 The Wonder Years / ABC	20.1 / 31
8 Empty Nest / NBC	19.9 / 35
9 60 Minutes / CBS	19.9 / 34
10 L.A. Law / NBC	19.8 / 33

TOP BARTER SERIES

First 8 weeks of season, Sept. 18, 1989, through Nov. 12, 1989

SERIES / SYNDICATOR	RATING
1 Wheel of Fortune / King World	13.8
2 Jeopardy! / King World	12.2
3 Universal Pictures Debut Network / MCA TV	10.8 #
4 Star Trek: The Next Generation / Paramount	10.0 #
5 The Oprah Winfrey Show / King World	9.6
6 The Cosby Show / Viacom	9.5 #
7 A Current Affair / 20th Century Fox	8.4
8 Entertainment Tonight / Paramount	8.1
9 Wheel of Fortune (weekend) / King World	7.9
10 TV Net Movie / Teletrib	7.0

TOP CABLE NETWORKS

Average ratings / projected households, October 1989

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 TBS	1.9 / 969,000	2.6 / 1,326,000
2 USA	1.3 / 645,000	2.2 / 1,091,000
3 Nickelodeon	1.0 / 485,000	.9 / 436,000
4 ESPN	.9 / 482,000	1.8 / 965,000
5 CNN	.9 / 474,000	1.5 / 789,000
6 Family Channel	.7 / 328,000	.7 / 328,000
7 TNT	.9 / 301,000	1.2 / 401,000
8 MTV	.6 / 289,000	.7 / 338,000
9 Lifetime	.6 / 273,000*	.8 / 364,000*
10 TNN	.4 / 209,000**	.8 / 399,000

Includes multiple exposures.

* Lifetime reports on a Monday-Saturday basis.

** 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.

GOOD NEWS AND BAD

Cable, once the media segment with the most consistent stock price growth, performed worse than any other media industry over the bulk of 1989. TBS, however, bucked the trend by racking up the highest percentage growth of any company in all segments. Broadcasters, usually the underdogs, fared well during 1989 in the stock market. TVX's impressive growth reflects Paramount Communications' purchase of the remaining interest in the indie group in early October.

	10/31/89	12/30/88	% CHANGE
BROADCASTING			
TVX Broadcasting	4.50	1.63	176.1
Chris-Craft	35.38	21.88	61.7
A.H. Belo	36.75	23.13	58.9
LIN Broadcasting	112.00	71.50	56.6
American Family	18.88	13.75	37.3
United Television	32.75	27.25	20.2
CBS	198.38	170.50	16.4
Lee Enterprises	30.88	27.00	14.4
McGraw-Hill	64.00	62.25	2.8
Westwood One	10.00	9.75	2.6
Durham Corp.	33.13	33.00	0.4
Liberty Corp.	36.00	36.00	0.0
Clear Channel Comm.	12.00	13.13	-8.6
Jacor Comm.	5.63	6.63	-15.1

	10/31/89	12/30/88	% CHANGE
CABLE			
Turner Broadcasting	49.88	16.88	195.5
QVC Network ¹	16.00	8.50	88.2
WestMarc	31.00	17.75	74.6
ATC	49.25	31.50	56.3
Acton Corp.	16.13	11.75	37.3
Cablevision Systems	43.75	31.88	37.2
Jones Intercable	17.50	12.88	35.9
Playboy	15.50	12.13	27.8
CVN Companies ²	20.75	16.38	26.7
Centel Corp.	60.38	50.25	20.2
Century Comm.	14.25	12.63	12.8
TCA Cable	16.75	31.25 ³	7.2
Comcast	17.88	16.75	6.7
Falcon Cable Systems	19.25	19.38	-0.7
Home Shopping Network	3.75	4.50	-16.7
Financial News Net	6.50	8.13	-20.0
TCI	18.38	26.13	-29.7
Time Warner	131.00	⁴	NA
United Artists Ent.	20.88	⁵	NA

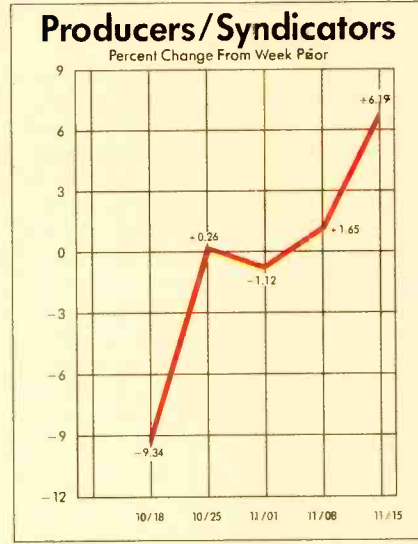
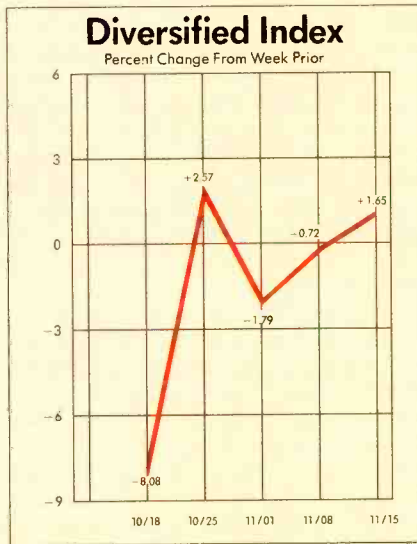
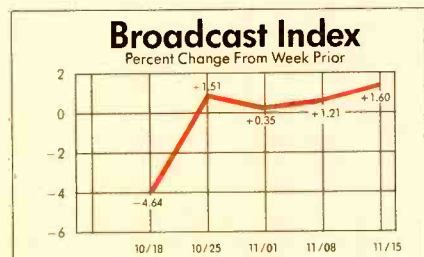
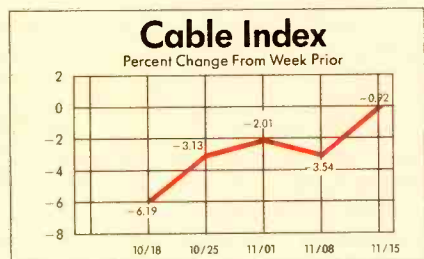
	10/31/89	12/30/88	% CHANGE
DIVERSIFIED			
Walt Disney	123.88	65.75	88.4
Viacom	58.38	31.13	87.5
Warner Comm.	62.50 ³	36.63	70.6
Cap Cities / ABC	542.50	362.25	49.8
Paramount	55.88	40.63	37.5
Jefferson-Pilot	41.13	30.00	37.1
Washington Post	287.50	210.75	36.4
Westinghouse	67.38	52.63	28.8
Tribune Co.	48.63	38.88	25.1
General Electric	55.38	44.75	23.3
Multimedia	94.00	76.50	22.9
News Corp.	19.50	16.50	18.2
Pulitzer Publishing	28.00	24.63	13.7
Gannett	40.13	35.63	12.6
Meredith	33.88	30.38	11.3
Times Mirror	36.50	32.88	11.0
Knight-Ridder	48.75	45.38	7.3
Scripps Howard	72.00	70.00	2.9
New York Times	27.50	26.88	2.3
Media General	34.38	34.38	0.4
Park Comm.	21.25	27.00	-21.3
Price Comm.	4.88	6.25	-21.9

	10/31/89	12/30/88	% CHANGE
PRODUCTION			
Columbia Pictures Ent.	26.88	12.25	119.4
Spelling Ent.	11.00	6.38	72.4
Republic Pictures	9.63	6.25	54.7
Orion Pictures	21.63	14.13	53.1
MGM / UA	18.75	13.13	42.3
King World Prods.	33.75	23.75	42.1
Carolco	10.13	7.25	39.7
MCA	62.63	45.38	38.0
New Line Cinema	5.25	5.13	2.3
Prism Ent.	3.00	3.00	0.0
Reeves Comm.	5.50	5.63	-2.3
Fries Ent.	2.13	2.25	-5.3
Heritage Ent.	1.63	1.88	-13.3
Vestron	2.13	3.63	-41.3
Qintex Entertainment ⁵	1.03	3.25	-68.3

¹ CVN Companies has since merged its operations with QVC Network. ² Two-for-one stock split, paid 7/89. ³ Time Inc. and Warner Communications have merged their companies. Warner was still listed on the exchanges at the end of October, 1989. ⁴ United Artists Entertainment is the merged company of United Artists Communications and United Cable TV. The companies merged in May, 1989. ⁵ Qintex filed for protection under Chapter 11 of the Bankruptcy Code in October, 1989. Source: Media Business.

Industry Segment Profiles

The indices represent four segments of the industry. Cable: seven MSOs and programmers; Broadcast: seven TV broadcasters and station-group companies; Producers/Syndicators: six Hollywood production companies; and Diversified: six companies with interests in more than one area (e.g. cable and broadcast).



Source: Media Business News.



QVC's Segel: Two For The Price of One

Veteran entrepreneur Joseph Segel is merging QVC and CVN, creating a shopping behemoth to battle HSN.

In just three years QVC Network Inc. has become one of the country's two dominant TV shopping services. With its purchase of Cable Value Network, QVC's chairman and CEO, Joseph M. Segel, has become a major cable power. Segel, 58, has had a long and successful entrepreneurial career. Among the 18 businesses he says he's started is the Franklin Mint, which he left in 1973. Today, however, he's occupied with the QVC-CVN merger; the folding of CVN into QVC this spring and plans for a second channel, a "multi-merchant" service akin to a shopping mall. With West Chester, Pa.-based QVC looking at a \$1 billion sales goal this year and a delicate merger underway, Segel recently assessed QVC's position and future plans with Channels editors Merrill Brown and Janet Stilson.

Cable Shopping's Role

Shopping by television is a specialized program that appeals to about 20 percent of the audience. I think it can grow to around 30 percent, perhaps higher, but I doubt that it will get beyond 50 percent. Within the 20 percent are people who have taken to it so intensely that it is part of their lives. Many people watch QVC because they enjoy the face-to-face contact with the show hosts. Most other television fare puts the viewer in the position of being a passive observer. But our hosts talk directly to viewers. A very personal relationship develops.

We Never Close

The QVC format is constantly evolving because we're always trying new things. One of the advantages of this business is

that the response time is so fast you can test things and know instantly what's working. We're on a very fast track, not only from a sales viewpoint but also from a viewpoint of refining, improving and enhancing QVC. We can accomplish in one year what a typical business may take five years to accomplish. That's because we're operating with four times as many hours per week as an average retailing business. When we started, we had 12 different segments, now we have more than 100 different segments through the week.

QVC's Philosophy

One of the things developed at the Franklin Mint was a concept that goes beyond the old cliché, The customer's always right. Our motto is, Always give the customer more than they expect. We look for ways to pleasantly surprise the customer, the opposite of what many merchants do. It is common to glorify the product to make it sound better than it is, and then people are disappointed when they receive something less. You don't get repeat buying that way. We have produced astoundingly high repeat-buying patterns.

Why It Works

When you boil it all down, each TV-shopping program is a combination of a talk show, a game show and a shopping show. The two principal competitors—QVC and HSN—both have those three elements, but we implement them differently. Our formula seems to have worked best. We also serve demographic niches, such as working women and homebound people. We train our order-entry operators

to be courteous and our customer service representatives to be helpful. And the show hosts are always upbeat.

Shopping Niches

We are 100 percent segmented and have hours devoted to beautifying your home, to looking your best, to leisure, to tools and crafts and so forth. In essence, we satisfy many groups by being 100 percent segmented and scheduled. If there were an unlimited number of channels, then there would be room for many specialized channels. But there's limited capacity and except for fashion, which will do better, a diversified channel such as ours with segmented hours is the most efficient implementation of TV shopping.

A Capacity Squeeze?

We think rebuilding is going to take a long time. And there are so many new program choices for systems that there isn't likely to be capacity for shopping channels. That's why we've been signing up cable systems for long-term commitments. We now have about 32 million cable subscribers, of which 18 million are contracted for 15 to 16 years out. We think there are going to be more program alternatives offered to systems than there will be channels opening up in most communities.

Repeat Performance

We're focused for the future principally on increasing viewership rather than increasing the number of homes reached. Our goals after we fully absorb CVN are to grow carriage at the rate of about three million full-time homes per year for QVC and about one to two million for the

new second channel. We expect significant sales growth because TV shopping sales combine two elements—the number of homes reached and the average revenue per home. Our average revenue per home has been increasing. That's where we'll be putting most of the focus—convincing more people to watch QVC. Once they begin watching, we must convince them to make their first purchase. We're doing well at that. Together with CVN, we're now adding about 30,000 customers a week. Then the most important step is convincing the first-time buyer to repeat. More than 90 percent of dollar volume comes from repeat customers. That's where we excel.

Turn Up the Volume

Adding three months of CVN sales in 1989 more than doubled sales volume from the previous year. In 1990, we will have 12 months of sales to former CVN subscribers and sales should again more than double. From that point on, our goals are growth in the area of 20 to 30 percent a year. That comes about by the combination of homes reached, which we expect to grow by 10 to 15 percent, multiplied by the revenue per home, which is growing also by about 10 to 15 percent a year. More people constantly discover the channel, causing penetration to steadily climb, and more than 50 percent of the first-time customers become repeat buyers.

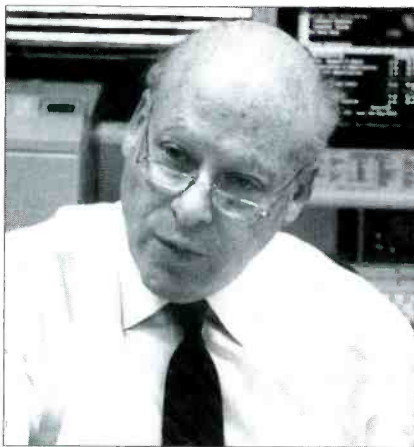
The CVN Switchout

A switchout is easier when you can orchestrate it. The plan is to gradually blend the programs together. By mid-January when you look at CVN it is going to look very similar to QVC. Spots on CVN will explain that America's two leading cable shopping programs are merging. Both logos will come together with QVC being the survivor. We will emphasize the advantages to the viewer—the wider variety of merchandise, more chances to win prizes, 100-percent scheduling, lower shipping and handling charges. Since we now own CVN's customer list, we will write them and tell them why this is great. It should be smooth and positive.

The Shopping Shakeout

The shakeout ended faster than anyone expected. There are now two major competitors plus the J.C. Penney Channel. QVC and HSN each have approximately 50 percent market share. QVC is now ahead of HSN as far as cable homes reached. We may be a little ahead of them in annualized revenue from TV operations. I don't think there are likely to be any new shopping channels because of the capacity and trans-

'Wall Street has warmed up to the TV shopping business. It took two years of meeting and beating projections to restore their confidence.'



ponder shortages. Cable systems have more or less placed their bets—they've bet on us or HSN. Now they have other issues. Last year it was pay-per-view; this year it's comedy channels. The shopping channel issue was three years ago.

The Toe of the Curve

I don't think that TV shopping will reach maturity anytime in the foreseeable future. The life cycle of new retailing concepts is usually 30 to 50 years. Department stores are now reaching maturity. Catalogs are now climbing the curve, but we're at the toe of the curve and we have a long way to go.

Clerkophobes

We don't focus on demographics as much as psychographics. We find the only real skewing is that our customers are about 70 percent women. Working women are very important. Many prefer not to go out in the evening or shop on weekends. Then there are customers who are attracted to TV shopping who are shy, a surprising portion of the population. They prefer not to deal with clerks, to hunt for somebody to wait on them. And there are many people who run into bad experiences with indifferent store clerks and poor service. All of that attracts a wide demographic spectrum of people to TV shopping.

A Cable Exclusive

We're not interested in doing anything other than being cable's merchandising arm. There are differences in our philosophy [from HSN] and that's one. Cable is the most cost-effective way to transmit this type of program. We're in the catalog business only to the extent that it serves our cable customers. Our focus is on adding value to basic cable.

QVC and Wall Street

During the past year, Wall Street has warmed up to the TV shopping business. It took two years of meeting and beating projections, which we've done, to restore their confidence. People in the investment community also are realizing that the financial structure of QVC is changing. Because of the high leverage we now have, there's more interest in our cash flow as well as earnings. We don't expect to have significant earnings this year because of the costs associated with the merger, but we do expect to have accelerating earnings starting next year. And we now have more cash since acquiring CVN. Analysts are beginning to look at us as a unique hybrid—a major retailer and a major cable programmer. And when they recognize the extraordinary market franchise we have, they really get excited. ●

RUNNING THE NUMBERS

Let's Not Rent a Video Tonight

Growth in the videocassette rental industry has plateaued after a boom that catapulted it into the billion-dollar bracket within a few years of the VCR's emergence. Although VCR penetration continues to rise, rental revenue isn't increasing at 1986's pace. Nielsen v.p. Paul Lindstrom cites two reasons: First, the heavy-renter profile suggests the kind of person who's at the head of the line for any new technology, and more recent VCR buyers aren't as interested in renting tapes as the heavy renters who were the first to buy VCRs; and second, the "toy effect" impacts heavy-users too—they rent fewer cassettes as the newness of owning a VCR wears off. "The bottom line is that you won't see actual declines in numbers, just a leveling out of growth," says Lindstrom. He also says distributors will concentrate more on lowering video purchase prices to spur sales as rental revenues flatten.

Home Video Rental Activity Since 1985

Year	VCR households in thousands in change year	Rental transactions in thousand from previous year	Tape volume in thousand from previous year	Rental revenues in thousand (% change)
1989*	59,212 (+5%)	332,748 (+6%)	1,661,052 (+15%)	2,922,405 (+23%)
1988	56,229 (+19%)	314,637 (+19%)	1,446,336 (+34%)	2,367,129 (+50%)
1987	47,224 (+24%)	264,471 (+29%)	1,081,533 (+53%)	1,572,909
1986	38,019 (+57%)	213,267 (+76%)	707,283	
1985	24,997	120,924		

Source: Nielsen Media Research

Home Video Sales Activity Since 1986

Year	Tape volume in millions, new/used	Total sales in millions
1989*	300 225/75	\$6,000
1988	228 198/30	4,500
1987	99 79/20	2,000
1986	70 NA/NA	2,800

Source: Fairfield Research Inc. *projected.

VHS

R L



1877



1886



1882



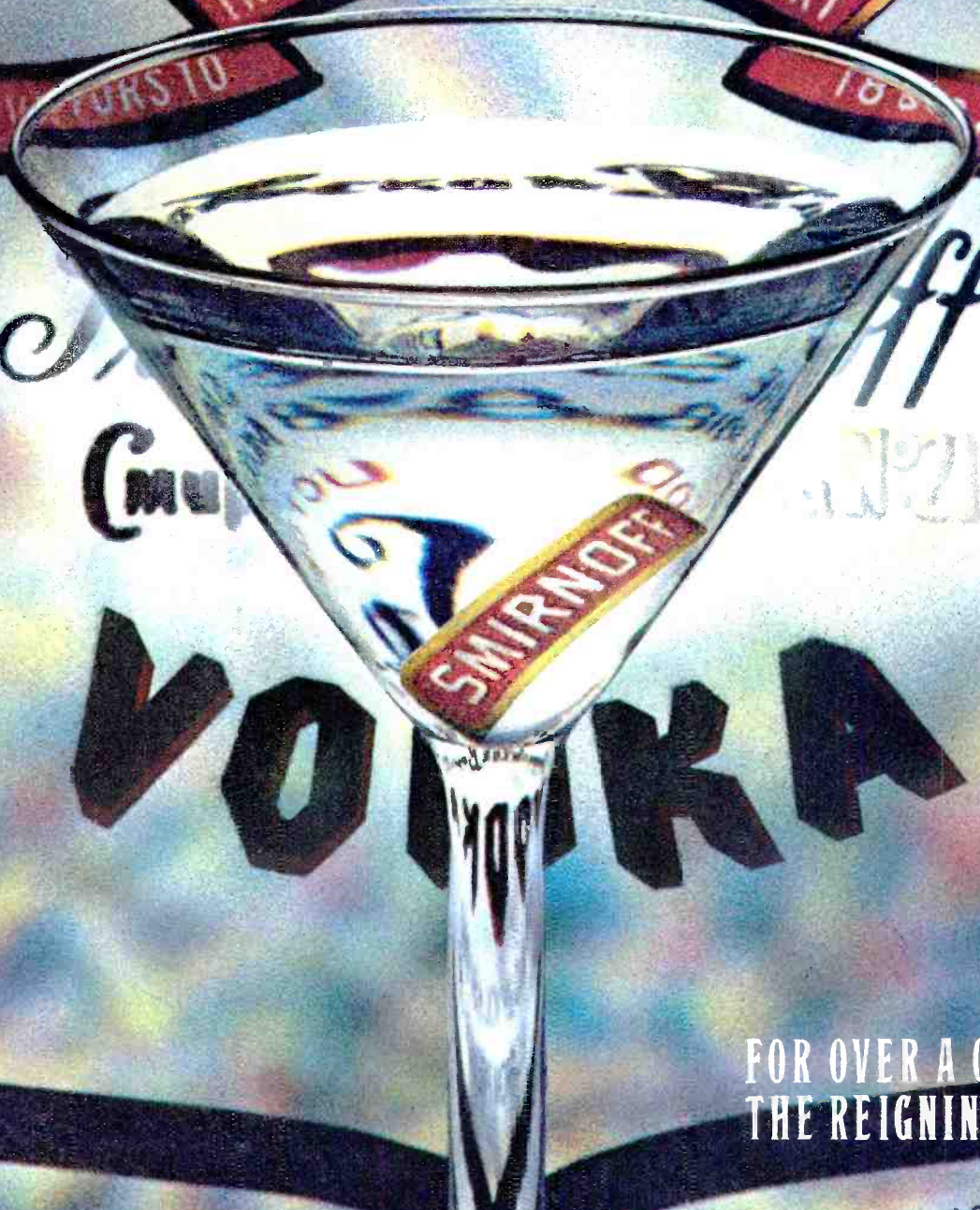
1896

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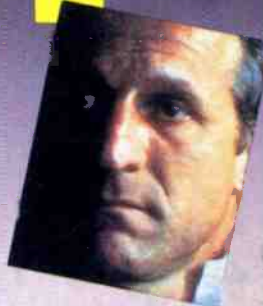
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