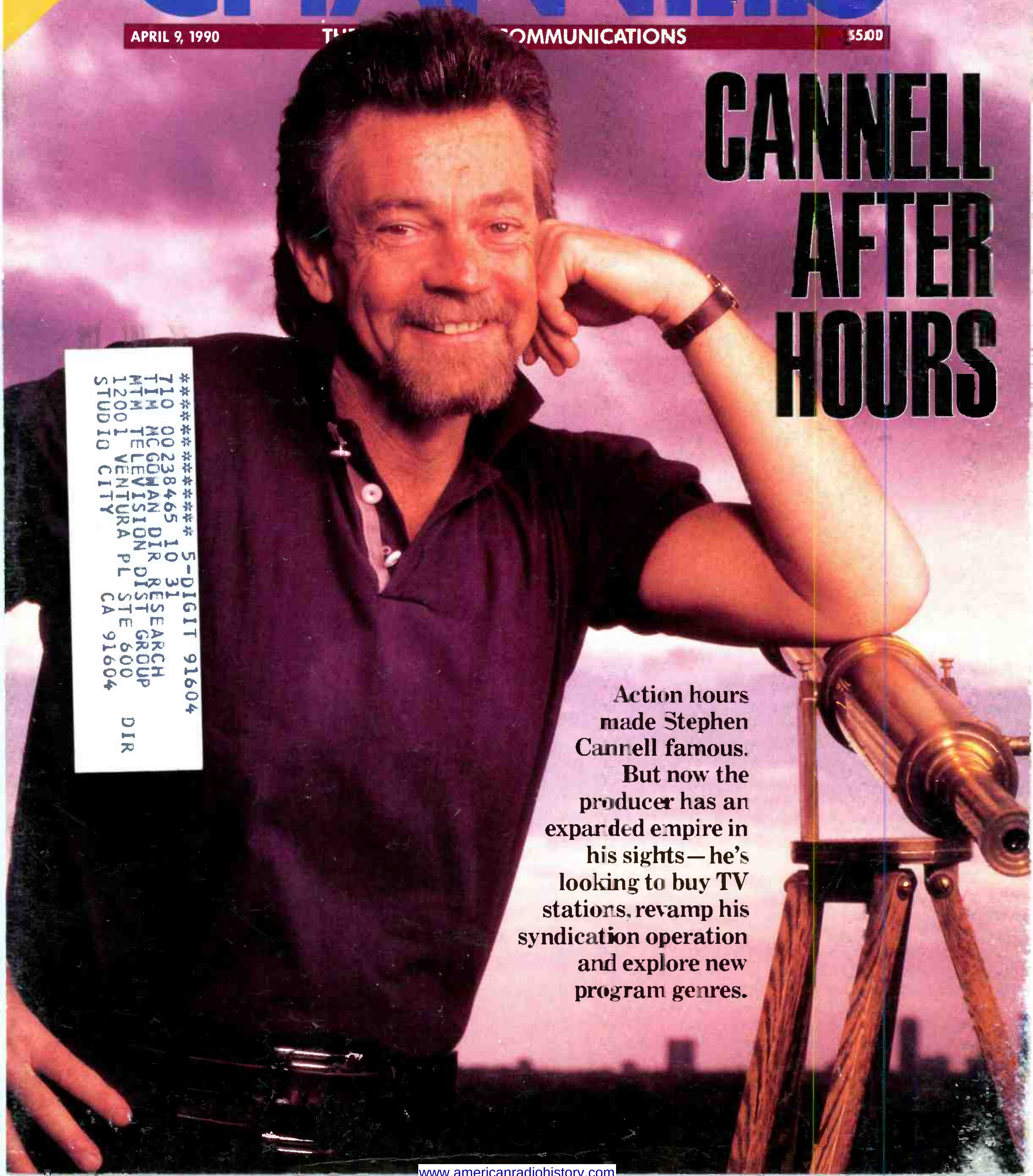
CHANNELS' New Twice-a-month Format

Who Owns Broadcasting?

Cable Ad Growing Pains

CHANNELS

APRIL 9, 1990 TH [illegible] COMMUNICATIONS $5.00



CANNELL AFTER HOURS

Action hours made Stephen Cannell famous. But now the producer has an expanded empire in his sights—he's looking to buy TV stations, revamp his syndication operation and explore new program genres.

"THE ROSE AND THE JACKAL WAS THE FIRST COMPLETELY SATISFYING SCRIPT TO COME ALONG IN A LONG TIME."

—Christopher Reeve

On April 16, TNT premieres a different kind of Civil War story. THE ROSE AND THE JACKAL stars Christopher Reeve as the founder of the U.S. Secret Service who finds himself divided by duty to his nation and love for a beautiful confederate spy. To Reeve, it was an opportunity to extend his varied talents.

CHRISTOPHER REEVE ON CREATIVITY AND CABLE:

"The cable industry is making the kind of movies the studios might not make. They're giving actors opportunities they might not get in studio pictures. Right now I'm being very selective in what I do. These are the kind of parts I've played many, many times in the theater—but never on film. In film, people are typecast."

"TNT is developing a nice image—prestigious projects like MARGARET BOURKE WHITE, COLD SASSY TREE, DINNER AT EIGHT, THE ROSE AND THE JACKAL. I think this is terrific. There's a lot of actors out there who want to make strong creative choices, who are going to be happy to come and work for cable, particularly TNT."

TNT℠

TURNER NETWORK TELEVISION

For details on becoming a TNT affiliate, call your Turner Cable Network Sales representative in Atlanta at 404-827-2250 or in San Francisco at 415-495-0170.

Christopher Reeve as Alan Pinkerton, founder of the U.S. Secret Service.

Madolyn Smith Osborne as Rose Greenhow, Washington socialite turned Confederate spy.

CABLE'S SHOWCASE

CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOLUME 10, NUMBER 4 APRIL 9, 1990

FEATURES

HOW TO GET YOUR KIDS TO WATCH LESS TELEVISION

FROM THE CHANNEL KIDS WATCH MOST.

Watch less television? What kind of TV channel would recommend something crazy like that?

Here's a hint: It's a *cable* channel. And it just became the leader in kids' programming. That's right –it's Nickelodeon. Children now watch our shows more than the kids' programming on the three broadcast networks *combined*. That's a great victory for us, and for cable. But we believe it also means we have a special responsibility to our viewers.

After all, many of us are parents, too. We know how much time our kids spend in front of the tube. And while there are certainly lots of benefits that kids derive from TV –from learning and discovery to simply having fun–we're the first to admit that there can sometimes be too much of a good thing.

So the question arises: How can we all, as parents, help make the Child/Television relationship a positive one? Here are some suggestions:

1. Don't let your kids become video zombies. Have them *plan* the programs they would like to see. Encourage thoughtful choices rather than letting the set play endlessly and randomly.

2. Use television to stimulate your child's imagination. When there's time, watch TV together and discuss the programs. Explore what your children think about different characters. If they are intrigued by an episode, get them to think about what might happen next.

3. Define the rules. Tell your children they are allowed a certain amount of television *and don't be swayed*. If necessary, unplug the set.

4. Finally, plan alternative activities. Ask your children to tell you things they would like to do, and then try to do them. Children often watch television in excess merely because they are bored.

Of course, parents can always count on Nickelodeon as an ally. We'll keep providing the best kids' programming available, every day. Because we want parents to see that cable programming encourages children to watch in a way that fosters their growth as people, while they're having fun being kids.

Now, can you ever imagine the broadcast networks running this ad?

NICKELODEON®

The new #1 network for kids.

a peel a peel a peel a peel

EDITOR'S NOTE

Now, Channels Twice a Month

You're holding half of this month's *Channels*. The rest will be in your hands April 23. Next month: same thing. And the next. *Channels* is now published twice monthly, 22 issues a year (in July and August we'll publish monthly). Each issue will still include a mix of our highly targeted departments—such as Marketing & Promotion, Sales, News Channels and a new column on Washington—providing hands-on information from TV stations and cable systems across the country, plus *Channels*' signature feature stories and special In Focus sections, timed to complement major industry meetings and events.

The new twice-monthly *Channels* will look a little different: We've redesigned our In Focus section and the Table of Contents to make them more inviting and easier to read. The mock Contents page below shows the departments you can expect to see regularly in *Channels*, and explains each one's mission.

Channels' new frequency is just one response to the increasingly swift pace of change in the TV industry. Our mandate as *the* business magazine for television professionals remains the same: to provide information, analysis and perspective not available anywhere else.

John Flinn

OPERATIONS

MARKETING & PROMOTION
In every issue, case studies of marketing strategiesthat worked—or didn't—for broadcasters, cable operators and other television professionals.

SALES
A twice-monthly update and analysis of TV sales. The place for GMs and sales managers to turn first.

NEWS CHANNELS
Trends in television news, at broadcast stations, cable systems and the networks.

RATINGS & RESEARCH
New tools and strategies for analyzing and using audience research.

MARKET EYE
A competitive snapshot of one TV market and its players, focusing on local solutions to the kinds of problems faced by broadcasters and cable operators everywhere.

TECHNOLOGY MANAGEMENT
What today's innovations mean for tomorrow's television, written in layman's terms.

DEPARTMENTS

REPORTS
A quick take on hot topics and new faces in TV.

WHAT'S ON
This month in television: happenings, events and meetings you need to know about.

WASHINGTON
New in *Channels*: A look inside Congress, key agencies and industry associations to determine federal policy-makers' next step. Coming May 7.

HOLLYWOOD EYE
The programming buzz from the West Coast syndication and network production factories.

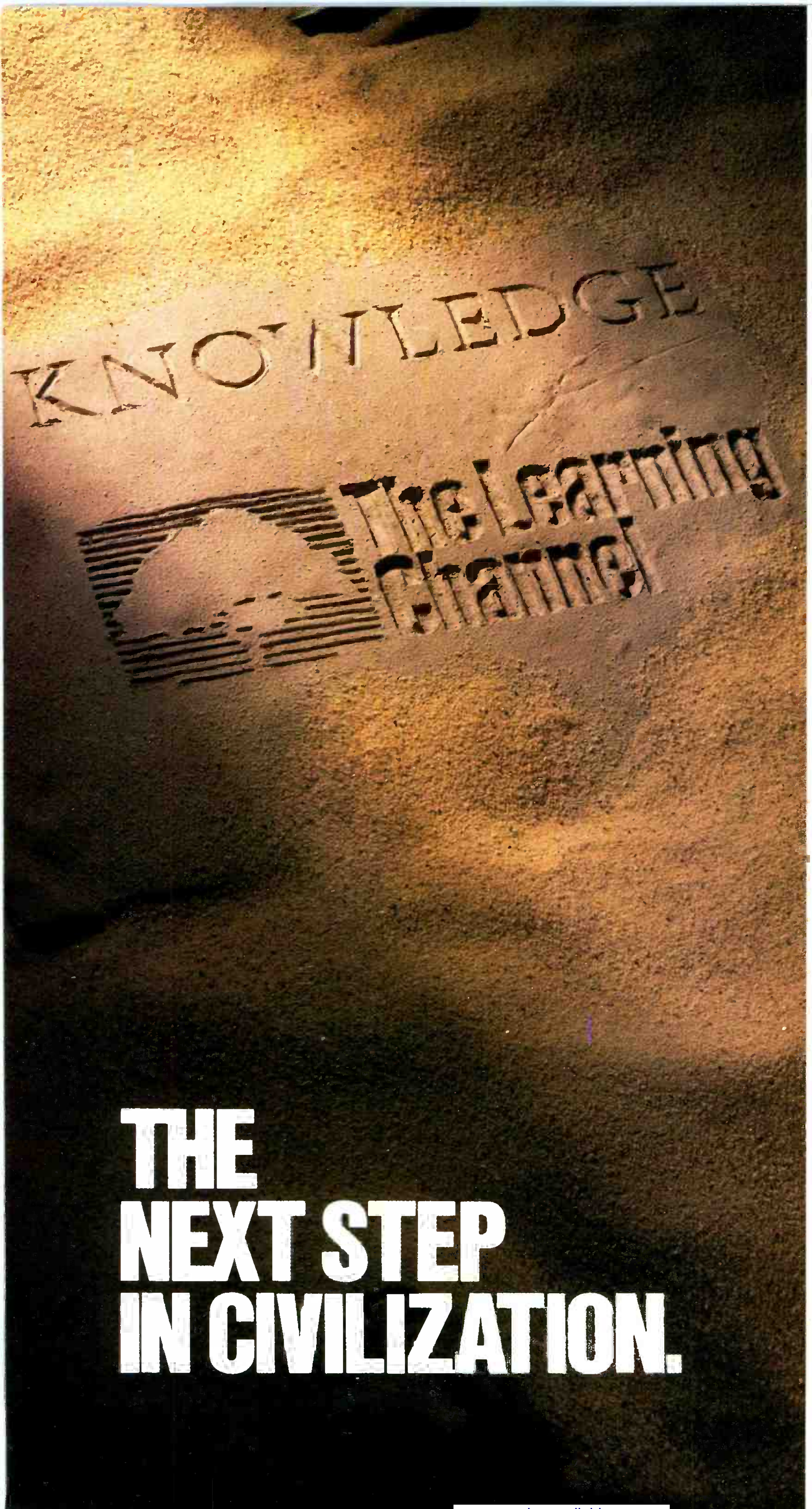
MEDIA DEALS
Money behind the media: What Wall Street thinks, who's making deals and why.

DATABASE
A compilation of notable research, from ratings to ad growth, plus exclusives from Frank N. Magid Associates.

SOUND BITES
Provocative comments from a top TV executive, presented in a concise Q&A format.

RUNNING THE NUMBERS
A new part-owner of cable's leading brokerage sees competition from Wall Street ahead.A thermometer for television news.


COMIC RELIEF '90
Comic Relief® is raising a lot more than just spirits.
Since 1986, Comic Relief® has raised and distributed almost $9 million to help our nation's homeless. On May 12th, HBO® is proud to present this important cable event for the fourth consecutive time. It's just another way of showing how much of a difference you and HBO really make.
Presented by HBO® & Canada Dry®



THE WORLD

Planet Earth
Oceanus: The Marine Environment

INTERNATIONAL

Icebreaker: Life in Soviet Union
France Panorama
French in Action
España Y Las Americas
Survival Spanish
Distant Lives

UNITED STATES

Ask Washington
It's Your Business

CREATIVITY

Metropolitan Museum of Art
Drama: Play, Performance
The Classics
Justin Wilson's Louisiana Cookin'
Converse Basketball TeleClinic

HISTORY

The Africans
American South Comes of Age

THE NEXT STEP

College USA
University Lecture Series
Mind Over Math
GED - High School Equivalency
English As A Second Language

The Learning Channel

A Tough Newsletter For Today's Tough Competition

You're in competition with other media for local advertising dollars.
You're in competition with other local television stations and cable systems to sell air time.
You're in competition with <u>everybody</u> to get a chunk of national advertising budgets.

Today it's tougher than ever for local television stations and cable systems to gain ground on the competition. And it's easier than ever to lose ground in the race for advertising dollars. That's why Channels Magazine created *MARKET SHARES*, the first newsletter designed to help local stations and cable systems sell and market themselves on a *local* level.

A YEAR'S WORTH OF IDEAS.

26 times a year *MARKET SHARES* keeps you up to date on television's most innovative local sales and marketing efforts. You'll get to know the thinking that went into these promotions...the people behind the ideas...even who to contact for more information. You'll learn how *target marketing* can help you prove to advertisers that *your* station is the place to put *their* money. And you'll also be spurred on to create new ad sales strategies expressly for <u>your</u> market and <u>your</u> standing in the local marketplace!

JUST $175 A YEAR.

You know what marketing can cost. And you know what <u>undermarketing</u> can cost! Compare that to our low fee of $15 a month! Pick up just one idea a year in *MARKET SHARES* and your subscription pays for itself in savings and profits.

TRY IT RISK FREE!

We'll send you your first three issues before you ever see a bill! Then, if *MARKET SHARES* hasn't become ABSOLUTELY INDISPENSABLE to you, simply write "CANCEL" on the bill and pay nothing. You've got nothing to lose...and valuable market share to gain! Complete the attached card or call 212-545-5139. SUBSCRIBE NOW!

SUBSCRIBE NOW

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Please send me the next 3 issues FREE and reserve my subscription at a special savings of 42% off the regular subscription price. If I decide to continue, **my price for a full year's subscription, 26 issues in all, is only $175.**

If I don't find that *MARKET SHARES* contains valuable information vital to local marketing, I will return the invoice marked "cancel" and am under no further obligation. The free issues are mine to keep.

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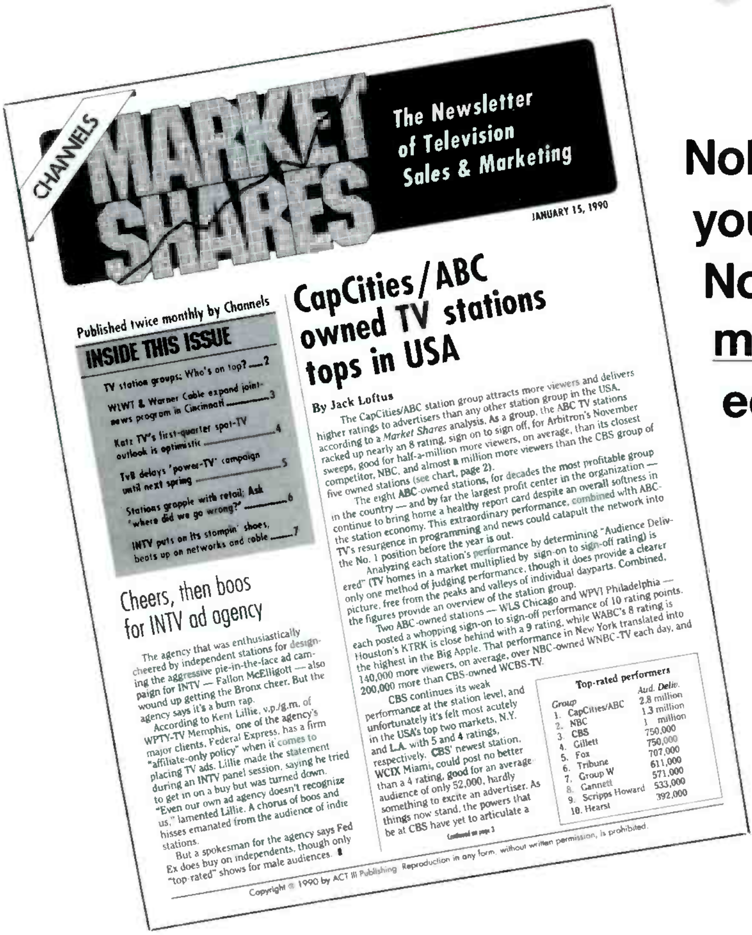
BOC

TEAM UP AGAINST TOUGH COMPETITION!



CHANNELS

MARKET SHARES

The Newsletter of Television Sales & Marketing

JANUARY 15, 1990

Published twice monthly by Channels

INSIDE THIS ISSUE

TV station groups: Who's on top? — 2
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TvB delays 'power-TV' campaign until next spring — 5
Stations grapple with retail; Ask 'where did we go wrong?' — 6
INTV puts on its stompin' shoes, beats up on networks and cable — 7

CapCities/ABC owned TV stations tops in USA

By Jack Loftus

The CapCities/ABC station group attracts more viewers and delivers higher ratings to advertisers than any other station group in the USA, according to a *Market Shares* analysis. As a group, the ABC TV stations racked up nearly an 8 rating, sign on to sign off, for Arbitron's November sweeps, good for half-a-million more viewers, on average, than its closest competitor, NBC, and almost a million more viewers than the CBS group of five owned stations (see chart, page 2).

The eight ABC-owned stations, for decades the most profitable group in the country — and by far the largest profit center in the organization — continue to bring home a healthy report card despite an overall softness in the station economy. This extraordinary performance, combined with ABC-TV's resurgence in programming and news could catapult the network into the No. 1 position before the year is out.

Analyzing each station's performance by determining "Audience Delivered" (TV homes in a market multiplied by sign-on to sign-off rating) is only one method of judging performance, though it does provide a clearer picture, free from the peaks and valleys of individual dayparts. Combined, the figures provide an overview of the station group.

Two ABC-owned stations — WLS Chicago and WPVI Philadelphia — each posted a whopping sign-on to sign-off performance of 10 rating points. Houston's KTRK is close behind with a 9 rating, while WABC's 8 rating is the highest in the Big Apple. That performance in New York translated into 140,000 more viewers, on average, over NBC-owned WNBC-TV each day, and 200,000 more than CBS-owned WCBS-TV.

CBS continues its weak performance at the station level, and unfortunately it's felt most acutely in the USA's top two markets, N.Y. and L.A. with 5 and 4 ratings, respectively. CBS' newest station, WCIX Miami, could post no better than a 4 rating, good for an average audience of only 52,000, hardly something to excite an advertiser. As things now stand, the powers that be at CBS have yet to articulate a

Continued on page 3

Top-rated performers

Group	Aud. Deliv.
1. CapCities/ABC	2.8 million
2. NBC	1.3 million
3. CBS	1 million
4. Gillett	750,000
5. Fox	750,000
6. Tribune	707,000
7. Group W	611,000
8. Gannett	571,000
9. Scripps Howard	533,000
10. Hearst	392,000

Cheers, then boos for INTV ad agency

The agency that was enthusiastically cheered by independent stations for designing the aggressive pie-in-the-face ad campaign for INTV — Fallon McElligott — also wound up getting the Bronx cheer. But the agency says it's a bum rap.

According to Kent Lillie, v.p./g.m. of WPTY-TV Memphis, one of the agency's major clients, Federal Express, has a firm "affiliate-only policy" when it comes to placing TV ads. Lillie made the statement during an INTV panel session, saying he tried to get in on a buy but was turned down. "Even our own ad agency doesn't recognize us," lamented Lillie. A chorus of boos and hisses emanated from the audience of indie stations.

But a spokesman for the agency says Fed Ex does buy on independents, though only "top-rated" shows for male audiences. ∎

Nobody knows more about your market than you. Nobody knows more about <u>marketing television</u> than the editors of *MARKET SHARES.*

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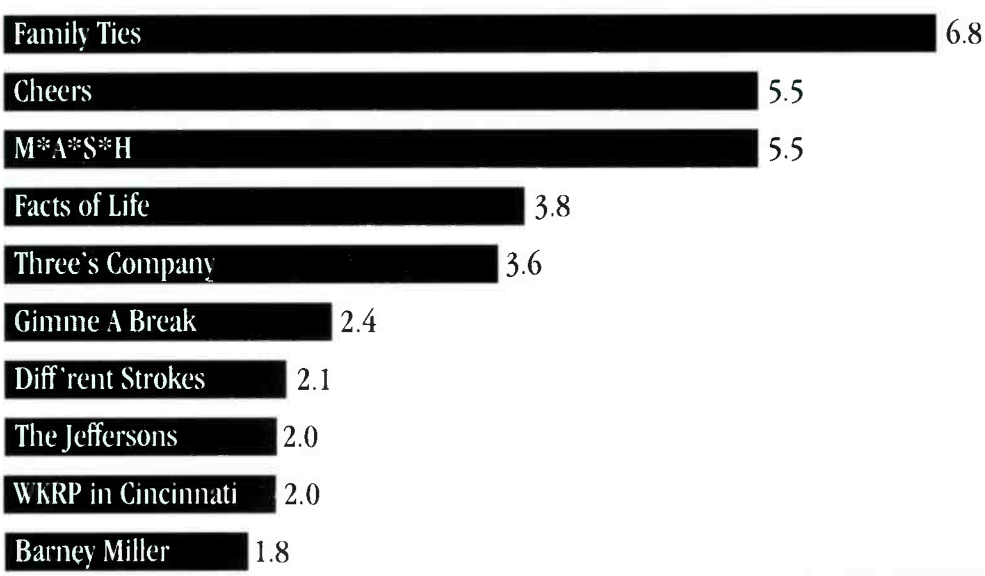
COSAND

Before Cosby's syndication premiere there was no clear leader among off-network sitcoms.

Before Cosby / Top Ten Off-Network Sitcoms

Women 18-49 Ratings, November 1987



Source: Nielsen Equivalent National Ratings

EFFECT!

Now, The Cosby Show is clearly syndication's off-network sitcom leader.

After Cosby / Top Ten Off-Network Sitcoms

Women 18-49 Ratings, November 1989

The Cosby Show	8.9
Cheers	6.0
Night Court	6.0
Who's The Boss?	4.4
M*A*S*H	3.7
Family Ties	3.2
Growing Pains	3.1
Kate & Allie	2.0
Facts Of Life	1.8
Three's Company	1.8

VIACOM™

LETTERS

CritiKid CritiCism

We at the CritiCard Corporation are amazed at the way you have tried to align our CritiKid Safety Crew in a negative way. The article in *Channels* [January, *Reports*] is in no way factual or representative of how CritiKid is designed to protect children in the event of accident or injury.

CritiKid is not a program where "advertisers and television stations are cashing in on parents' biggest fear: missing children." CritiKid is designed to help emergency medical personnel (paramedics and hospital emergency rooms) accurately identify the specific needs of an injured child so that the proper treatment can be administered in a timely fashion. CritiKid also provides vital information about how to contact Mom, Dad, relatives and the family doctor immediately so at least one person who is familiar with the child is present in an emergency.

According to statistics, over 400,000 children each year are injured in bicycle accidents which are serious enough to require emergency treatment. Another 200,000 plus are injured in playground accidents. Parents cannot always be with their children and even when they are, sometimes due to the traumatic situation, even they cannot remember vital information. How can a young child be expected to have the necessary information that the doctors need such as allergies, medications, immunizations, insurance information, etc.? CritiKid answers these questions.

As for your analysis of how we use our list of names to mail coupons: this is a pure misstatement of the truth. CritiKid does not release its lists to anyone due to the sensitivity of the medical information provided on the CritiKid enrollment form. And no, CritiKid is not in business to make money from coupons. In fact, the coupons are provided to parents so that they can save money on childrens' shoes, clothing, toys, etc., throughout the year. Most CritiKid coupon booklets are valued at $300 to $700 so parents can save money on items normally purchased, should they desire. We have tried to develop a well rounded program that allows young families to keep their kids safe while adding value to the package provided upon enrollment. All coupon booklets are distributed upon initial enrollment into the program, not a "bombardment" as you have referenced.

CritiKid was developed in conjunction with hospital/emergency room directors and pediatricians from some of the most respected hospitals in the country. From the emergency room standpoint CritiKid provides information which is often not available when seconds count. In fact, CritiKid has made the difference in 11 cases and the parents of those children certainly are grateful that our service is available. Should you wish to speak with any emergency room director from some of our hospital partners at facilities like the University of Michigan Medical Center (or one of 200 more), I'd be more than happy to let them explain how much CritiKid means to the treatment of injured children.

As regards your misrepresentation of the CritiKid to Peggy Charren and her statement, "when they start increasing corporate profits based on how many coupons they can put into a child's home, that's too much"—that is totally untrue. How you came to your conclusions without an obvious understanding of what CritiKid is about, and how you have slandered us to other influential individuals, is confusing.

And, WFAA-TV in Dallas is not a CritiKid station. McDonald's and the Ronald McDonald Children's Charities have the rights to CritiKid in north Texas, and WFAA has graciously donated time in order to assist us in our efforts to raise money for RMCC. Since its inception, we have donated a portion of all CritiKid proceeds to children-oriented organizations. In four weeks with McDonald's, we expect to raise a minimum of $30,000 for RMCC.

You have certainly done a great deal of damage to our reputation. Hopefully, in the future you will get the facts straight before forming biased opinions and misrepresenting positive programs to the public.

Jeffrey B. Davis
President, CritiCard Corp.
Naperville, Ill.

We erred in saying the national CritiKid coupon material is sent directly to children. It's sent to the parents. The story did not say CritiKid releases the names and addresses of children to advertisers, but the wording is unclear and we apologize for any confusion. The story does quote Mr. Davis correctly in saying that the service was organized in association with hospitals. Finally, we incorrectly reported that WFAA-TV in Dallas is a CritiKid station. It is not.— Ed.

Leader of the Pack

I read with great interest "Just Call Up and Watch" [November, *Technology Management*]. While I realize your focus was on local stations, it is nonetheless distressing to read a feature story on interactive television that contains no mention of the country's *first and only* interactive television network, a 1989 *Channels* Achiever—the Jukebox Network.

With 70 units operating in 21 states reaching 6 million households, the Jukebox Network gives its viewers the opportunity to "just call up and watch" their choice of over 100 music videos on a localized market basis. Our entire business is based on viewer-driven interactive television—not polling or voting promotions designed to boost ratings.

With 25 broadcast stations in addition to 45 cable units, we feel that VJN Inc. has carved out a leadership position in interactive television.

John Robson
Dir., Corporate Communications
Video Jukebox Network
Miami, Fla.

CORRECTIONS: *In the Basic Cable Networks chart in the* 1990 Field Guide, *three cable networks were inadvertently omitted. They are: Movietime, 14 million subscribers, launched in July 1987, owned by a consortium of cable programmers and operators; Video Jukebox Network, 6 million subscribers, launched in December 1985, publicly traded; and Mind Extension University, 5 million subscribers, launched in November 1987, owned by Jones International.*

In the Program Factories chart, Warner Brothers should have been ranked as the most prolific television producer. Due to a computing error, Buena Vista's total was incorrectly stated. It produces 658.5 hours, placing it second.

Channels *welcomes readers' comments. Address letters to the editor to* Channels, *401 Park Avenue South, New York, N.Y. 10016. Letters may be edited for purposes of clarity or space.*

COS AND EFFECT
NEW YORK

With Cosby in its line-up, WWOR-TV climbed 63% from fifth place to a solid second.

Household Ratings, M-F 7:00 PM

November 1987 $100,000 Pyramid #5	6.7
November 1988 The Cosby Show #2	**10.6**
November 1989 The Cosby Show #2	**10.9**

Household Ratings, November 1989

Rank	Program	Station	Time Period		Rtg
1	**The Cosby Show**	**WWOR-TV**	**M-F**	**7:00P**	**10.9**
2	Night Court	WNYW	M-F	6:30P	9.2
3	Facts Of Life	WNYW	M-F	5:30P	8.8
4	Kate & Allie	WWOR-TV	M-F	7:30P	8.3
5	Diff'rent Strokes	WNYW	M-F	5:00P	7.9
6	Family Ties	WNYW	M-F	6:00P	7.4
7	Who's The Boss?	WWOR-TV	M-F	6:00P	7.1
8	Growing Pains 2	WPIX	M-F	6:30P	5.7
9	Taxi	WWOR-TV	M-F	6:30P	5.2
10	Cheers	WPIX	M-F	11:00P	4.8

Cosby is New York's #1 off-network strip.

With Cosby as a lead-in, WWOR-TV's 7:30 PM time period has more than doubled its women 18-49 ratings.

M-F 7:30-8:00 PM

November 1987 Barney Miller #4	3.7
November 1989 Kate & Allie #2	**8.3**

Source: Nielsen

VIACOM™

Bugs Against Drugs

BY RICHARD KATZ

APRIL 1-30: It's the fourth annual **National Cable Month**, sponsored by the **National Academy of Cable Programming** and **Pizza Hut**. The joint promotional effort, valued at more than $7 million, makes the pizza chain Cable Month's first ever outside sponsor. Pizza Hut produced a 30-second spot promoting its products and Cable Month and bought time on seven cable networks to show it. The campaign also includes prominent display of the Cable Month logo on 20 million Pizza Hut placemats and product discount coupons to be used as bill stuffers. The 17 networks that have their own individual nights on each cable system's designated Cable Month channel (as opposed to 33 other nets featured on combination nights) will also carry the Pizza Hut spot. In addition, **CableData** and **American Express** billing services have offered cable operators a discount for Cable Month bill stuffing.

•

APRIL 1-3: Threats of rate reregulation lend new urgency to the cable industry's oft-stated priority of increasing advertising revenues. As the theme for this year's **Cabletelevision Advertising Bureau** annual conference, held at New York's Marriott Marquis Hotel, the CAB has challenged the industry to reach a goal of $4 billion in ad revenue, twice the current volume, in 1994. Attendees who want to achieve that total might be interested in the conference track called "Selling to Larger Advertisers and Agencies," which will feature panels on how cable can win a bigger piece of the $9 billion spot market and how to use research data to get bigger ad budgets.

•

APRIL 9: USA Network, fresh from victory in a court battle with **Jones Intercable** over the operator's massive switchout of the programming service, celebrates its 10th anniversary. Back in 1980 the cable net reached 5.7 million subscribers. Last year saw USA, the largest cable network without MSO ownership, reach 50.8 million subs and generate $125.4 million in ad sales revenue.

•

April 18-20: San Francisco opens its golden gates to the **Broadcast Financial Management Association**'s 30th annual conference, which has the theme "Color Outside the Lines." **Jim Dowdle**, president of **Tribune Broadcasting**, will incorporate this theme into a speech about his company's expansion in recent years. **Robert McAuliffe**, executive director of the BFMA, expects sparks to fly during the general session on regulatory issues, "with everyone ganging up on **NCTA**'s **Brenda Fox** [general counsel and vice president of special policy projects, legal]."

•

APRIL 21: Bugs Bunny, the **Smurfs**, the **Teenage Mutant Ninja Turtles**, **Winnie the Pooh**, **Garfield** and many other cartoon stars team up for a special, ***Cartoon All-Stars to the Rescue***, to air on **ABC**, **CBS** and **NBC** at 10:30 A.M. The anti-drug special is the first entertainment program to be simulcast by the three networks and is also the first TV program in which different studios' cartoon characters share the stage. On a delayed basis, the special will also air on **The Disney Channel**, **Nickelodeon**, **Univision**, **Black Entertainment Television** and **Telemundo**, and on hundreds of independent stations.

•

APRIL 22: It's **Earthday** on cable—the public's renewed interest in environmentalism has inspired a half-dozen cable networks to rediscover a little-used holiday. **HBO** airs a new animated documentary, ***The Earthday Birthday***, **The Weather Channel** presents ***Within Our Power***, focusing on weather as a key to renewable energy sources, and **TBS** broadcasts a special retrospective edition of ***National Geographic Explorer***. **The Discovery Channel**, which features environmental programming year-round, debuts a special on the 100th anniversary of Yosemite National Park. In addition, **FNN** will run an "Environmental Minute" three times a day and phase two of **VH-1**'s "World Alert" campaign, in conjunction with **Greenpeace**, kicks in with short vignettes about average citizens who have made a difference working to improve the environment on a local level. •

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

CALENDAR

March 31-April 3: National Association of Broadcasters 68th annual convention. Atlanta Convention Center, Atlanta. Contact: Susan Grassberg, (202) 429-5300.

April 12: Federal Communications Bar Association luncheon. Speaker: Andrew Barrett, FCC commissioner. Washington Marriott, Washington, D.C. Contact: Michelle Plotkin, (202) 775-3530.

April 16-19: Supercomm '90, jointly sponsored by the United States Telephone Association and the Telecommunications Industry Association, and International Conference on communications, sponsored by the Communications Society of the Institute of Electrical and Electronics Engineers. Georgia World Congress Center, Atlanta. Contact: Hall Irby, (404) 529-7630.

April 19-20: "Capitol Experience" 10th anniversary seminar for cable operators sponsored by C-SPAN. C-SPAN offices, Washington, D.C. Contact: Kristin Wennberg or Gene Grabowski, (202) 737-3220.

April 20-21: Texas AP Broadcasters annual convention. Worthington Hotel, Fort Worth. Contact: Diana Jensen, (214) 991-2100.

April 20-25: MIP-TV, international television program market. Palais des Festivals, Cannes, France. Contact: Barney Bernhard, (212) 689-4220.

COS CHARLOTTE AND EFFECT

WSOC-TV now reaches 76% more women 18-49 than it did before Cosby.

Women 18-49 Ratings, M-F 5:30 PM

November 1987 Andy Griffith Show #1 7.0

November 1989 The Cosby Show #1 12.3

Women 18-49 Ratings, November 1989

Rank	Program	Station	Time Period		Rtg
1	**The Cosby Show**	**WSOC-TV**	**M-F**	**5:30P**	**12.3**
2	The Oprah Winfrey Show	WSOC-TV	M-F	4:00P	10.6
3	The Andy Griffith Show	WSOC-TV	M-F	5:00P	9.6
4	Entertainment Tonight	WSOC-TV	M-F	7:00P	9.2
5	PM Magazine	WBTV	M-F	7:30P	8.2
6	Jeopardy	WBTV	M-F	5:30P	6.2
7	Who's The Boss?	WJZY	M-F	7:00P	6.1
8	Star Trek-The Next Generation	WJZY	SAT	7:00P	5.8
9	Night Court	WJZY	M-F	7:30P	5.6
10	Mama's Family	WCCB	M-F	7:00P	5.1
	Hee Haw	WSOC-TV	SAT	7:00P	5.1

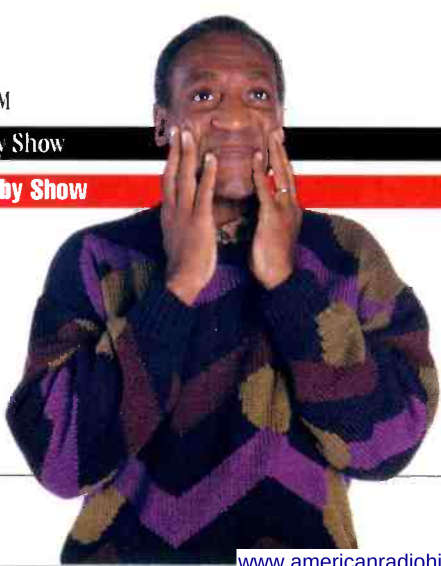
Cosby is the #1 syndicated series in Charlotte among women 18-49.

Cosby's own ratings keep on improving in Charlotte.

Household Ratings, M-F 5:30 PM

November 1988 The Cosby Show 14.4

November 1989 The Cosby Show 16.2



Source: Nielsen

VIACOM

Mastering The Universe

Now that it's on computer disk, the census may mean a lot more to TV researchers.

BY MICHAEL COUZENS

In a couple of years, $125 will buy researchers an optical computer disk with exhaustive data on the age, sex, race and income of the American population, broken down not only for every city in the country, but for every city block. Every ten years, including 1990, the U.S. Census Bureau scours the country on April 1 for all the humans it can locate. This time around, television stations with a computer and $125 will have instant access to the resulting minutiae.

Television researchers, like their counterparts in other industries, have updated their population estimates each year since the last decennial census in 1980. The same researchers will revise their television universe data for households and individuals based on the new information.

But the 1990 census is not some kind of refresher course for bean counters, nor is it a federally funded confirmation of the obvious. It is the first census conducted in the era of desktops and laptops. Because this year's people count will be published in compact disk read-only form, in addition to the traditional books and computer tapes, it could be the first census widely utilized by TV stations and cable companies.

The initial impact of the new data will be felt at the end of this year, when the Census Bureau starts to release its findings. Census numbers are expected to lend statistical credence to demographic trends already tagged and sorted by researchers. For example, unless something extraordinary happens, Los Angeles/Long Beach will surpass New York City as the nation's largest metropolitan statistical area. (New York will continue to reign supreme as the nation's number-one Area of Dominant Influence, a larger unit of measure.)

And the overall aging of the population will be thoroughly documented—good news for such narrowcast cable networks as VH-1 and The Nostalgia Channel. The 25-to-34-year-old and 35-to-44-year-old demographics will bulge as post-war babies continue on their path through the proverbial python. The expanding clout of the over-65 set, a group enjoying increased longevity and enhanced economic standing, should also be conspicuous.

The data may be useful to MSOs, because cable franchises often share boundaries with census reporting areas.

As these results are published, they could influence people who aren't fully informed of demo trends, says Eric Kisch, director of marketing research for Warner Cable Communications Inc. "If they are decision-makers, then the census could have enormous impact. It will change stereotypes."

The data may be especially useful to Warner and other multiple system operators, because cable franchise areas often stick to the same municipal boundaries as census reporting areas. Kisch says such information could be valuable for subscription marketing in the company's massive Brooklyn-Queens franchise. "We know there's a substantial Spanish population," he says. "With more accurate data, we could target Spanish promotions."

The Census Bureau itself is placing special emphasis on counting Hispanics (May, "Down from the Count"). The federal tally coincides with the disclosure of initial findings from the Los Angeles pilot of a national Hispanic rating service, created by Nielsen under contracts with the Telemundo and Univision networks. The weight accorded the special service—which currently estimates that 20 percent of L.A.'s population is Spanish-speaking—will turn directly on the more accurate findings in the 1990 Hispanic count.

Also likely to be affected are markets with large Latino populations, such as Albuquerque, N.M., San Antonio, or Fresno, Calif. A more careful count of Hispanics could result in higher ADI rankings.

"The greater effect [in ranking] is likely to be in smaller markets," says Edward Schillmoeller, senior vice president of statistical research operations, USA, at Nielsen Media Research. In less populated areas, he notes, a few thousand new households can equal a hefty percentage increase.

"The census is the chance to look at the estimating procedures and ask, 'How well did we do?' " adds Schillmoeller, who is among the experts who do not expect the impending stream of data to radically change the U.S. population picture. In 1980, he recalls, "a few markets changed rank, up or down a couple of positions, versus estimates."

The ease of access is likely to attract new custom research analysts who can economically repackage the national profile of the census, and offer an array of new tools. Such services could be especially beneficial to those who still find the raw census data too unwieldy or specialized for direct use—perhaps smaller-market TV stations and cable systems.

Ed Wilniak, a specialist on income statistics for the Census Bureau, thinks that the bureau's CD price of around $125 makes the data "practically free, considering the size of the endeavor."

The new numbers won't replace the information on TV viewing habits available from such research firms as Nielsen and Arbitron. But in an age when the 100 megabyte personal computer is standard, local number crunchers are in for a statistical windfall. •

Michael Couzens is a lawyer and freelance writer based in San Francisco.

COS AND EFFECT

DALLAS

With Cosby, KTVT has jumped into second place, increasing 72% in household ratings.

Household Ratings, M-F 6:00 PM

November 1987 Webster #3	7.5
November 1989 The Cosby Show #2	**12.9**

Women 18-49 Ratings, November 1989

Rank	Program	Station	Time Period		Rtg
1	**The Cosby Show**	**KTVT**	**M-F**	**6:00P**	**10.6**
2	Entertainment Tonight	WFAA-TV	M-F	10:30P	9.3
3	Showtime At The Apollo	WFAA-TV	SAT	10:30P	8.8
4	Night Court	KTVT	M-F	6:30P	8.5
5	The Oprah Winfrey Show	WFAA-TV	M-F	4:00P	7.8
6	Wheel Of Fortune	WFAA-TV	M-F	6:30P	7.7
7	The Jeffersons	KDFW-TV	SAT	11:00P	6.8
8	Inside Edition	KXAS-TV	M-F	6:30P	6.4
	All In The Family	KDFW-TV	SAT	10:30P	6.4
	Night Court	KTVT	SAT	6:30P	6.4

Cosby is the #1 syndicated program in Dallas among women 18-49.

Cosby dominates the market in head-to-head competition among women 18-49.

Women 18-49 Ratings, November 1989 M-F 6:00 PM

The Cosby Show KTVT	**10.6**
Channel 8 News WFAA-TV	7.6
Texas News 6 KXAS-TV	3.5
A Current Affair KDAF-TV	3.2
Channel 4 News KDFW-TV	2.7
WKRP in Cincinnati KTXA-TV	1.9
A-Team KXTX-TV	0.7

Source: Nielsen

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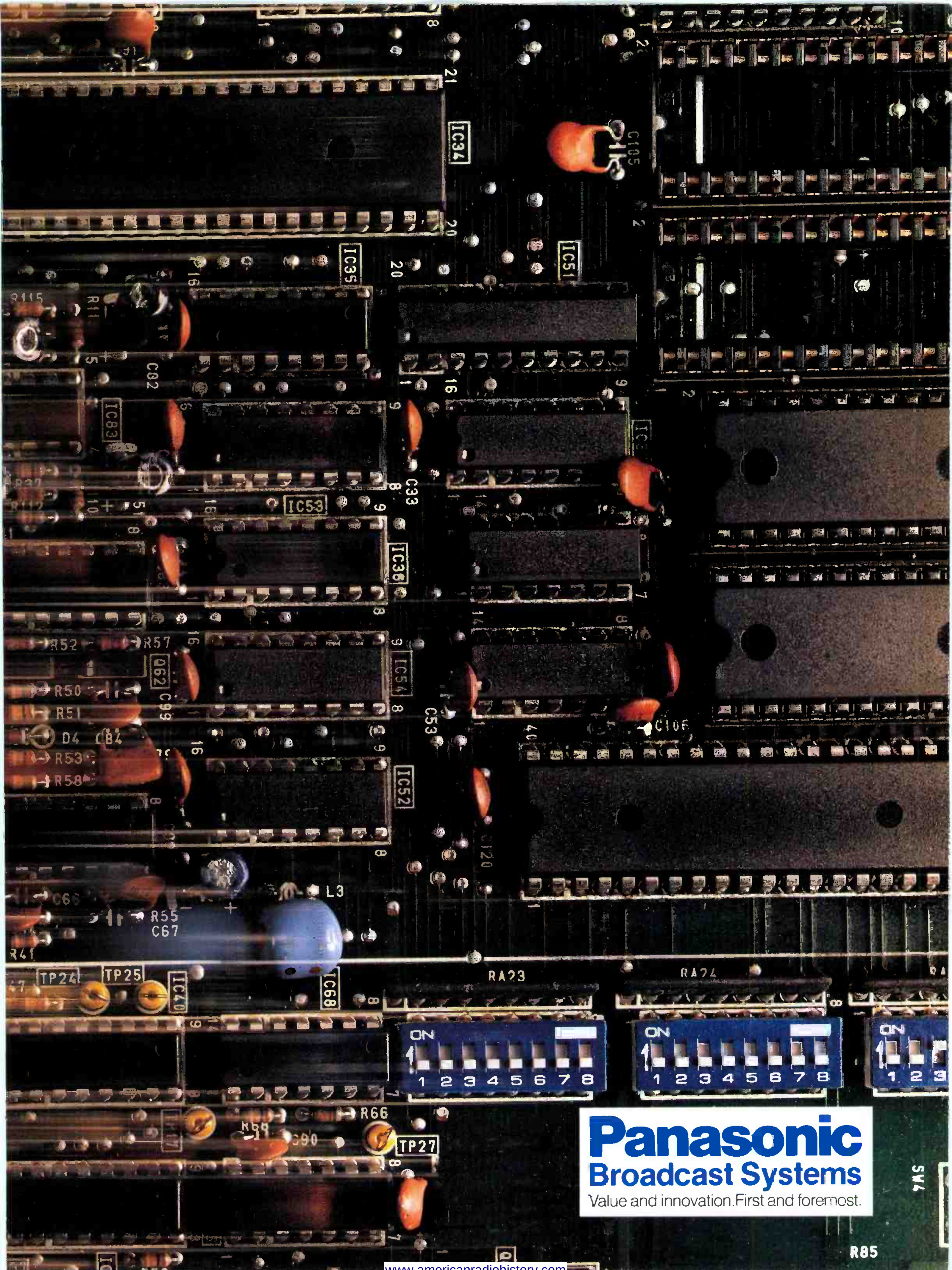
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Action-Packed Expansion

The name Stephen J. Cannell has become synonymous with action-hours on TV. Now his company, The Cannell Studios, wants more, and is looking to buy TV stations, retool its TeleVentures syndication division and even make sitcoms.

By Neal Koch

There are limits to what someone else's good looks can do for a TV producer.

Tall, brooding actor Ken Wahl has steadily drawn female viewers to the Stephen J. Cannell series *Wiseguy*, a CBS action-adventure hour about a federal mole infiltrating organized crime: Women have comprised nearly 53 percent of the show's audience this season, according to A.C. Nielsen. That's something of an untapped audience for producer Cannell, known primarily for such action-oriented celebrations of male-bonding as *The A-Team*. But despite Wahl's appeal, *Wiseguy* has failed to achieve hit status on CBS, scoring only an average 11 rating and 20 share this year.

The show's mixed results typify recent successes and disappointments for Cannell, Hollywood's largest independent producer of television programming, as he strives to broaden his business base. Cannell, through his company, The Cannell Studios, is targeting both horizontal and vertical expansion into not only new types of programming but ownership of television stations, much as his larger Hollywood competitors have done. Expansion, however, means Cannell is having to bend a key operating tenet and take in an equity partner, the Wall Street house of Dillon Reed, in order to add to his two TV station purchases. Cannell suggests that he's much like some of his fictional characters—if nothing else, a pragmatist. "Pull a gun on [private detective Jim Rockford]," says Cannell, "and he would say, 'Do you want my watch? It's worth $3,000. You want my car? It's paid for.' "

For his company, Cannell says, "I want to have a platform here that's financially valid. If you stand on one foot—the manufacture of hour television shows—and all of a sudden they disappear like the Western did, or all of a sudden they're fiscally impossible to make, then you're out of business. Wham—Just like that. So we set up other companies . . . all of it aimed at creating other assets inside our limited ability . . . to give a stronger foundation to the studio."

It hasn't been enough for the hardworking Cannell that in less than ten years, he's built from scratch a studio that reports more than $200 million in annual revenues and in 1989 tied his former employer, Universal, in number of hours on the fall broadcast-network schedules. Cannell has been moving to diversify his privately held company on many fronts: In addition to starting to assemble a major-market television station group, he has built a unit that has become a major producer of national television commercials; he has branched out into program and feature film syndication; and he has built and operates Canada's largest television program production facility (see chart). With shows such as *Wiseguy* and Fox's *21 Jump Street*, Cannell has recently been striving to produce more issue- and character-driven programs with stronger appeal to younger and more female audiences. And he has also sought—so far without success—to move into sitcoms and Saturday morning animated programming, as well as the first-run syndication and cable markets. "It's all part of the same package, whether in form or content, so the company is not known for just one type of show," explains Peter Roth, president of Stephen J. Cannell Productions, Cannell's program development and production arm.

Cannell and his executives say their primary motivation is to diversify the company enough so its fortunes aren't dependent on the syndication market for hour programs—the kind the industry associates with Cannell and the kind the company still produces. Not that hours haven't served Cannell well: his push to diversify is possible largely because syndication earnings are

finally rolling in. But shopping hours in syndication to broadcast TV stations currently has its limitations, and Cannell himself is anxious to tap into new markets.

Cannell Studios president Dubelko (left) and CEO Cannell: looking beyond what the company does best.

So far, however, The Cannell Studios—the holding company, of which Cannell claims to own 100 percent—is still in search of more solid ground. Its plans to assemble a group of as many as 12 television stations have been slowed, says Cannell Studios president Michael J. Dubelko, by what he calls the poor quality of stations on the market and by the weakening of the credit markets following the collapse of junk-bond financing. Moreover, the company has been reconsidering its partnership in its half-owned program distributor, TeleVentures. And despite about four years of attempts, Stephen J. Cannell Productions has yet to launch a show in first-run syndication. Two years ago, for instance, TeleVentures took a sensationalized magazine show, *Scandals*, to NATPE but couldn't get enough clearances. Dubelko blames the trouble not on TeleVentures but on the increasing market leverage of the biggest syndicators. "We've developed a number of properties over the last two to three years," he says. "We took them out and tried to sell them and didn't. The market's become very cannibalistic." Dubelko complains that the dominant players replace their old shows with new ones and leave few time slots available for smaller suppliers. As a result, Cannell Productions now has little first-run syndicated fare in development.

The company's current quandary can best be appreciated with some understanding of its origins. Cannell began his post-college business career attempting to fulfill his father's dream. He signed on as a salesman in the family's interior design business, one of the most successful in Southern California, for three years. But he couldn't stand the work and left after selling some television scripts that he had written nights and before work. After the sale of a script to Universal for *Adam 12*, he was made the show's head writer in 1966. He hit the big time in 1974 by co-creating and producing for Universal *The Rockford Files*. But he left Universal in 1979 to make it on his own, even though he says the studio offered to double his salary to $1 million to get him to stay. Partly, he left to be his own boss. And it's been that drive, he says, as much as anything else that has kept his company private and closely held. "We really want to be able to run our company based on the way *we* feel it should be run and not be a slave to a quarterly report," says Cannell. "It's about doing what you want to do with the least amount of interference."

PHOTOGRAPH BY AARON RAPOPORT

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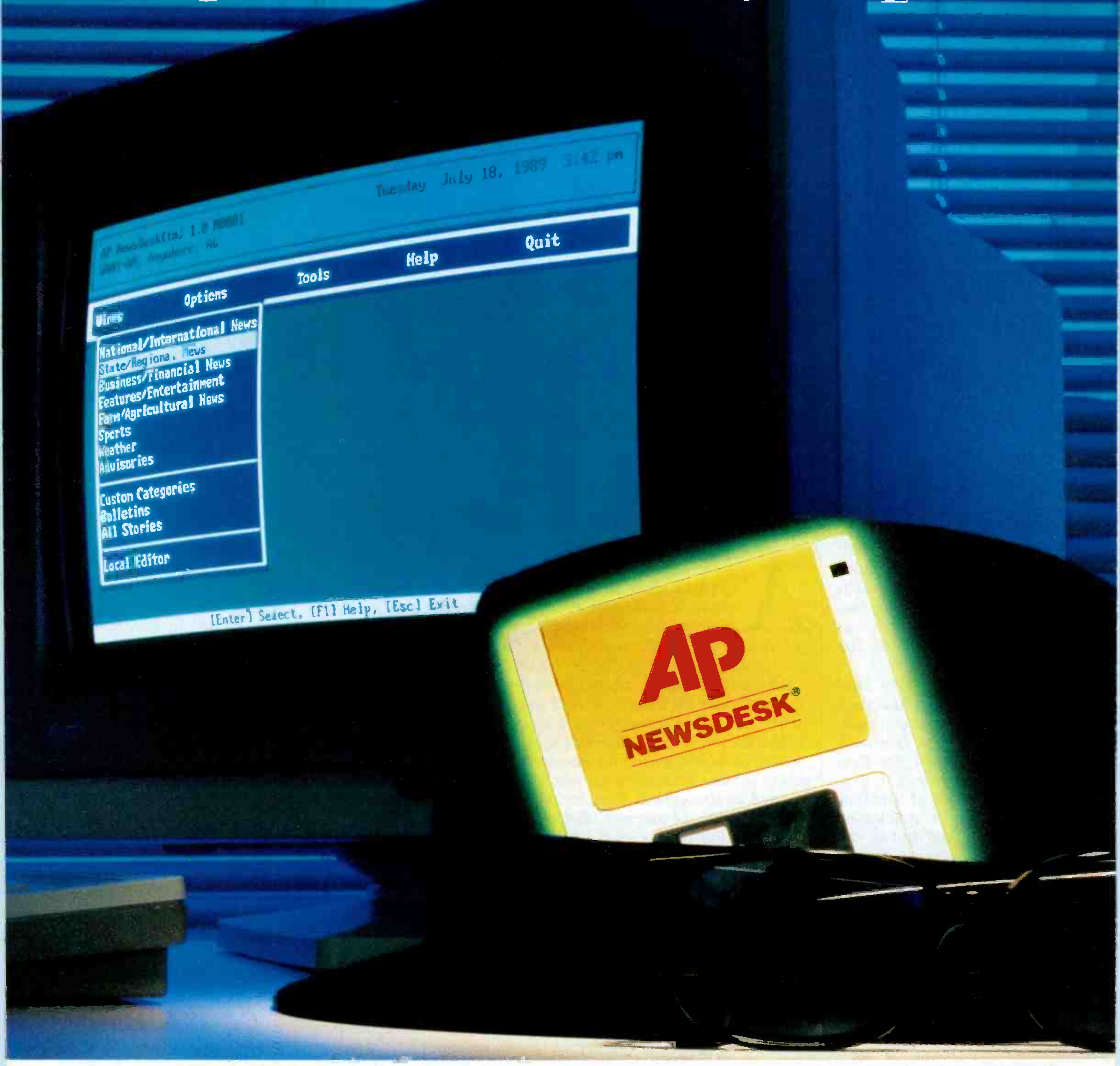

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But Cannell also admits he left Universal over money. A salary of $1 million a year may sound like a lot, but a year's worth of *Rockford* reruns were reportedly fetching at least $10 million for Universal, while Cannell's residuals were no more than $150,000. So Cannell went out on his own, forming Stephen J. Cannell Productions. He didn't leave naked: He began with an exclusive five-pilot deal with ABC, which advanced him the money to cover his overhead. Production was also partly financed by a distribution deal with Paramount, which took on some international rights but eventually passed on distributing Cannell's shows domestically.

Cannell is regarded as having an unusually well-developed business acumen for a Hollywood creative type, and appears to pride himself on meeting budgets and deadlines. "Reliable" is the word most often used by network executives to describe him. "The challenge for me," says Cannell, "is how well can I make these pictures? How efficient can I be? Can I solve my fiscal problems with imagination and creativity, as opposed to just throwing money at problems? I found that I could."

Nevertheless, largely consumed by writing and producing shows—and perhaps in a bit over his head when he first launched his company—Cannell drafted his business manager, Mike Dubelko, to help run the day-to-day business side of the company (see box). Dubelko, known in Hollywood for his candor, maintains that the company has earned a profit each year it's been in existence. But there were some early failures, such as *Tenspeed and Brownshoe*, before Cannell roared to success in 1983 with *The A-Team*, an NBC mid-season replacement. Subsequent Cannell shows have included *Hunter*, *Riptide*, *Hardcastle & McCormick* and such less successful efforts as *Stingray*, *J.J. Starbuck*, *Top of the Hill* and *Unsub*.

It's only recently that Cannell Studios has seen big-time syndication earnings. *Riptide* and *Hardcastle & McCormick*, the first two Cannell shows to produce significant profits, started airing in syndication in 1986, distributed by Columbia Pictures Television. Then came Cannell's biggest cash cow yet, *The A-Team*, distributed by MCA. The 98 episodes are generally thought to have sold for about $1 million each. Now Cannell's cash flow is expected to be more predictable, as well as substantial, given the company's more recent successes, all distributed through TeleVentures. *Hunter* began airing in syndication last year. *21 Jump Street* begins this fall, and *Wiseguy* in fall 1991. With that relative degree of certainty in their future, Cannell and Dubelko have begun looking for investment synergies with their core business.

One such move was Cannell's pioneering push into Canada with the establishment in the late 1980s of North Shore Studios Ltd., which claims to be Canada's largest television production facility. Earlier, Cannell had led Hollywood's march north to cut production costs, seeking more flexible unions, more cooperative local governments and the benefits of a cheaper Canadian dollar. Built with a Canadian partner and located in North Vancouver, North Shore Studios is a 14-acre site boasting seven soundstages and 100,000 square feet of office space. Although filming in Canada may cut production costs by only about 10 percent, with Cannell's volume of business that can be significant.

But to see the Canadian facilities as simply a cost-cutting move would be to miss other aspects of the investment. Cannell did not need to build seven soundstages just for his shows. The rest of the facility is rented out, with the expectation, says Dubelko, that in the not-too-distant future the facility will turn a profit on studio and equipment rentals alone. The arrangement also allows Cannell to continue his long-standing preference of owning rather than leasing expensive production equipment. Not only can he earn rental income and control his own equipment, but he benefits from depreciation tax write-offs. In the early days of the company, Dubelko says, "it helped to have a big hit [on television]. Today it's not so important for us to have a big hit as to make a little bit of money on everything, and it adds up."

Cannell had been looking at the entire leisure-industries field for investment opportunities, and for a time even considered buying into hotels. But in the end he decided to stick closer to what he knows best, as he did three years ago when he launched Image Point Productions, a producer of national television commercials. The company now brings in revenues in excess of $20 million, says Dubelko, compared to revenues of about $100 million from current network program production.

Television stations are also properties Cannell says he feels more comfortable with and in which he sees compatibility with his other businesses, such as off-network syndication sales. For instance, Dubelko says *A-Team* was never sold in Detroit in syndication, even though the city provided the show's biggest network viewing audience, pulling more than a 50 share. "It would be nice," he says, "to have a sympathetic buyer in the markets." In addition, a Cannell-owned station group, aligned with one or two other groups, says Dubelko, might provide enough coverage of the country to finally get a first-run syndicated show launched. Station ownership, says Cannell, "is not a Wall Street play. I would like to see if we couldn't find a way to make really good-looking programs cheaper."

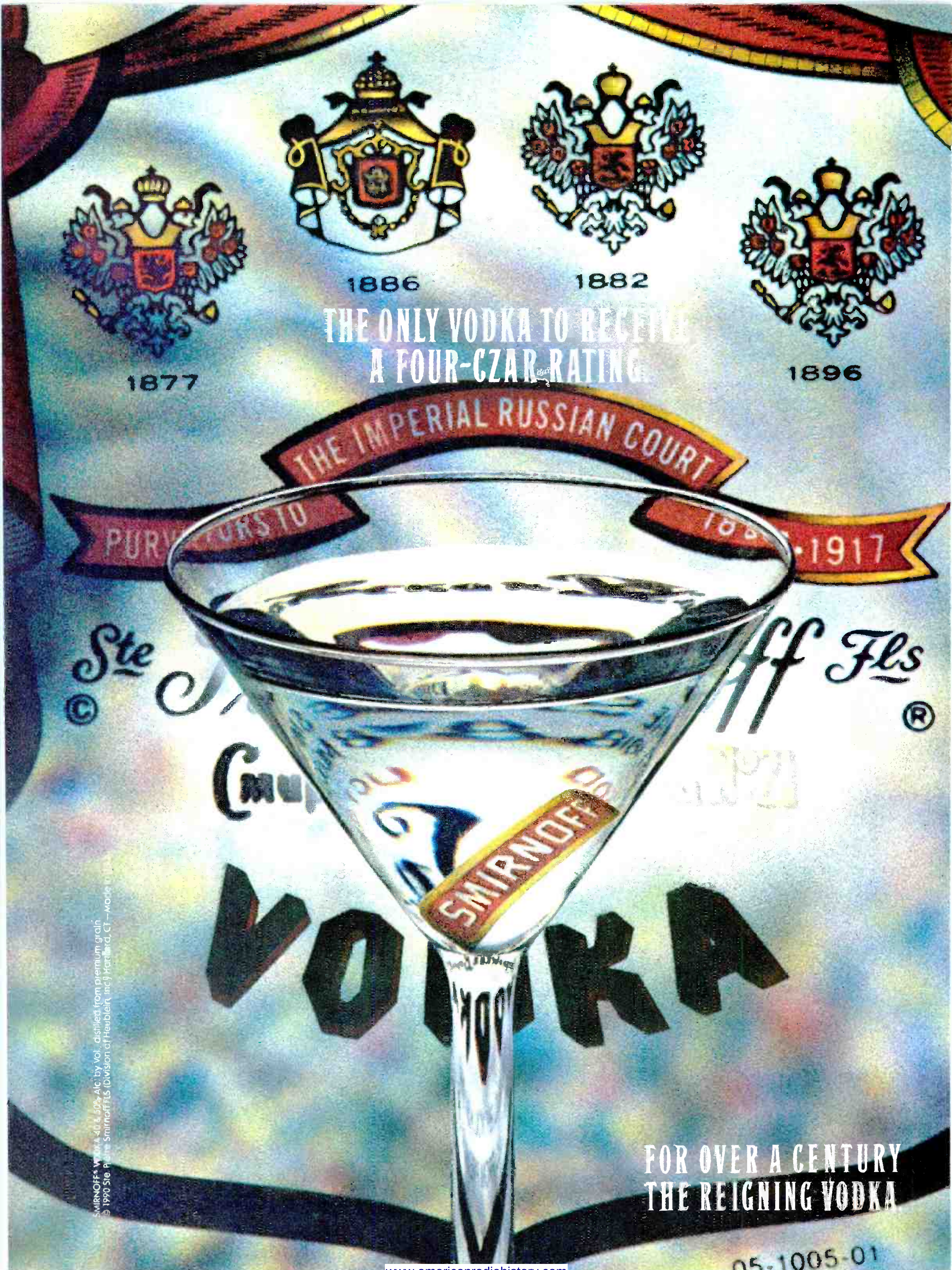
Studio Point Man

As each Stephen J. Cannell show ends, Cannell himself appears alone in an animated logo, ripping a sheet of paper from his typewriter and tossing it into the air. But if anyone has helped the writer-producer make The Cannell Studios fly, it's Michael Dubelko, the company's president and point man in assembling Cannell's station group.

Dubelko has earned substantial respect in Hollywood's business community for his knowledge and judgment. At a crucial moment during last year's industry negotiations over a new Screen Actors Guild contract, Dubelko disclosed to both sides the syndication price TeleVentures had gotten for *Hunter*, the only hour show recently sold to stations at the time. "It was critical," says one participant. "It fostered an atmosphere of candor. Most others would have hidden it, or they would have told each other one by one."

Dubelko has been a quiet but effective architect of the Cannell empire. Together, he and Cannell have devised unorthodox tactics for keeping their costs down and surviving in an industry increasingly dominated by giant companies. As Dubelko describes it, his style for a company with relatively limited resources is to concentrate on management stability, focus the company's efforts very carefully and avoid biting off more than he and his colleagues can chew. "Some of the other companies want to grow too fast," he says. "They go out and raise a lot of money and they're under great pressure to spend the money somehow and to get a reasonable return. It's dangerous," particularly for a smaller company without a large library of shows to cushion blows. "If you keep your eyes open and proceed slowly," he says, "you won't get hurt."

A former accountant and business manager, Dubelko says caution will remain his byword in the '90s. Although programming outlets will continue to proliferate, he says, "the margins [for producers] will be going way down, despite all the new delivery mechanisms." One of Cannell Studios' strategies for coping is to try to put together a U.S. show that will meet Canadian content rules, allowing for higher Canadian license fees. "It's not something that would qualify as a home run," says Dubelko, "but you have to be willing to stretch and do things that haven't been done before. . . . We've basically been in the business of cost control and smart deals that may have been unorthodox." N.K.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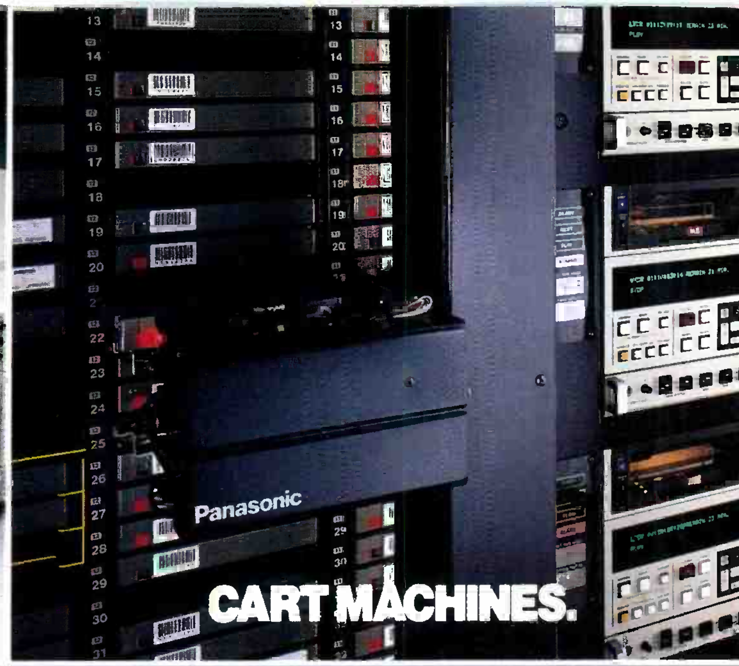

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Cannell's goal is to buy one station a year in large to medium-size markets, possibly reaching the regulatory cap of 12 stations. The first purchase was Pappas Telecasting's UHF Fox Broadcasting Co. affiliate WHNS of Greenville, S.C., market number 35, which Dubelko says is the smallest the company will go. The second station was independent WUAB in Cleveland, bought from Gaylord Broadcasting Co. Dubelko says the company is now looking for a third station, but doesn't have any tempting candidates in view.

While Cannell is merely having a hard time finding the right buys in TV stations, his efforts to break into network sitcom production have so far been futile. Network programming executives admit Cannell can have an immediate audience with virtually anyone to pitch an hour show, but they say he has to get at the end of the line when it comes to half hours. Sitcoms require a different set of skills, the executives say—skills that Cannell and his writers have yet to demonstrate. And Cannell, whose fiscal approach matches his conservative Republican leanings, has refused to pay either the multimillion-dollar sums required to land top sitcom writing talent or the packaging fees demanded by some agents as the price for landing their writer-producer clients. "He hasn't really come up with the players the networks are willing to bet on," says Warren Littlefield, NBC Entertainment executive vice president for prime-time programs. "With hours," says Cannell, "literally, we can almost go anywhere we want." But with half-hour shows, "we have to basically kick that door down." Adds Roth: "It's schizophrenic. In the half-hour area . . . we have to grovel with everybody else."

21 Jump Street **is the new breed of Cannell show, spiced with young-adult appeal.**

Dubelko lays the failure at the feet of the company's historic refusal to pay talent-agent packaging fees—a percentage of the budget of each episode—with the result that agents decline to make their clients available. It "has effectively kept us out of the half-hour business," says Dubelko. "Today it's effectively the price of admission."

So Cannell has quietly given in to the agents—to a limited degree—with a compromise strategy also aimed at broadening the audiences drawn by his shows. His company has recently entered a two-year deal with the writer-producers Eve Brandstein (*Homeroom*) and Anne Beatts (*Square Pegs*, *Saturday Night Live*), whose past shows had the appeal to kids and women that Cannell seeks, but neither of whom has recently had a hit. Their first project for Cannell was a sitcom done from the perspective of two 13-year-old girls. "The amount of money being spent these days to bring in top talent is so out of the realm of reason that we do not engage in that game," says Roth. "We try to get the best up-and-coming talent, or the best talent that has run into a string of bad luck."

It was Cannell's predilection for pursuing alternative strategies that also led him into TeleVentures. Tired of paying typical fees of 35 percent to the distributors of his hits, in 1987 Cannell had his lawyer, Hollywood power broker Ken Ziffren, set up TeleVentures, a conduit for distributing his shows. The other two TeleVentures partners were the Ziffren clients Tri-Star and Witt-Thomas-Harris. But in December 1987, Tri-Star merged with Columbia, which took over Tri-Star's television production arm and distribution of the shows it would produce. So now, the only new properties TeleVentures will get from Tri-Star are its movies. And in late 1988 Witt-Thomas-Harris, primarily a half-hour comedy shop (*Golden Girls*, *Empty Nest*), pulled out of TeleVentures to align itself with Disney. "Today," says Dubelko, "it's not what it started out to be." So now Cannell is considering leaving TeleVentures and perhaps either bringing distribution completely in-house or forming a new company with another partner. TeleVentures president Patrick Kenney says the distributor's current staff will become a part of whatever entity may succeed it, but declines to elaborate.

Another uncertainty in Cannell's future is the possible abolishment of the financial interest and syndication rule restricting the ability of broadcast networks to own the shows they air. "If the networks decide they want to be vertically integrated," says Cannell, "then we either work for them or we don't work."

With the large production deficits now typical on shows, "companies like this will not be producing for the networks unless they are willing to sell the back end . . . and then you become a salaried employee." On the other hand, he says, "I will hopefully be smart enough to find some other way to produce software. There may be some creative deal-making that will allow me to continue."

Those who do business with Cannell say they expect him and Dubelko to come up with imaginative ways of coping with their continually evolving industry in the 1990s. "All times are uncertain," Cannell has said. "If you're going to be a player, you're going to have to be quick on your feet." •

Cannell's Vertical Hold

THE CANNELL STUDIOS
Stephen J. Cannell, Chairman and CEO
Michael Dubelko, President

Stephen J. Cannell Productions
(Program development and production; merchandising)
Peter Roth, President
Currently* in production: 21 Jump St. (Fox); Hunter (NBC); Wiseguy (CBS); Booker (Fox).

TeleVentures
(TV programming syndication; partnership of The Cannell Studios and Tri-Star)
Patrick Kenney, President
Inventory includes: All Cannell TV shows going into syndication after February 1987: Hunter ‡ (131 episodes), 21 Jump Street ‡ (83 episodes), Wiseguy ‡ (66 episodes); Tri-Star feature films; and My Two Dads and Hardball from Tri-Star TV.

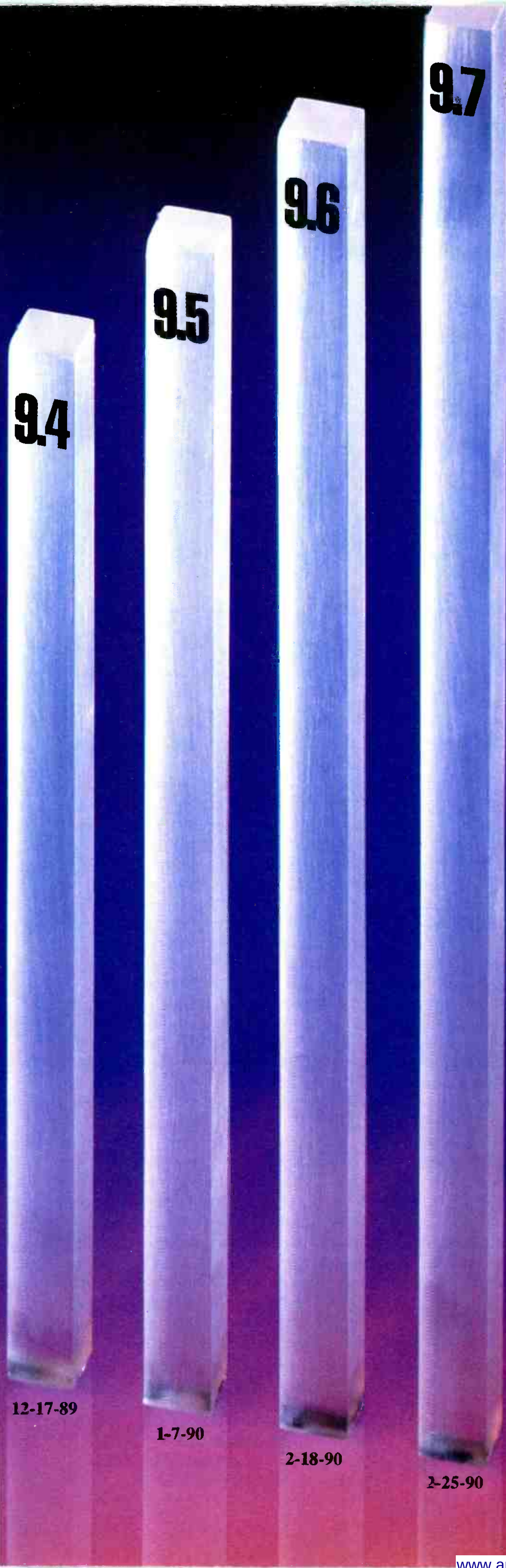
Cannell Communications Inc.
(TV station ownership and operation)
William Schwartz, CEO and President
Properties: WHNS, Greenville, S.C.; WUAB #, Cleveland.

North Shore Studios Ltd.
Television program production facilities in North Vancouver, B.C., Canada, including seven soundstages and 100,000 square feet of office space.

Other Properties
Cannell Films of Canada Ltd. *(Canadian TV program production arm)*
Image Point Productions Inc. *(production of national TV commercials)*
Cinecal *(studio and filmmaking equipment rental)*
Owned programming *(distributed through other syndicators)*: The A-Team, 98 episodes, MCA; Riptide, 58 episodes, Columbia Pictures Television; Hardcastle & McCormick, 67 episodes, Columbia Pictures Television.

Notes:
*As of February 1990.
#Purchase pending.
‡Number of episodes expected by end of 1989-90 season.

Answer:
A Current Affair


9.4
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1-7-90
2-18-90
2-25-90

WHO OWNS BROADCASTING?

Power is the theme of this year's "Who Owns Broadcasting?" special section—the balance of power between corporate management and station executives. A chart listing some of the newest affiliate group builders follows.

GOOD-BYE GROUPTHINK

Al Jerome has pared down the once top-heavy NBC station group and empowered general managers to find their own paths to success.

By Steven Beschloss

Lunching on lobster and white wine, his L.A. station perched in first place with its local news, KNBC general manager John Rohrbeck was feeling pretty good. Okay, so *House Party*, a joint venture of the NBC and Group W station groups, had started slow with a paltry 1.7 rating. But even some needling from Brandon Tartikoff, huddled at a nearby table at La Serre in Studio City, was not about to upset his mood. "It started higher than [NBC's daytime soap] *Generations*," Rohrbeck ribbed the NBC entertainment division president.

Rohrbeck, like his peers at NBC's six other owned-and-operated stations, had high hopes for *House Party*, nestled in a 10 A.M. time slot in L.A. that has traditionally been a weak performer. But as much as he wants to be a good soldier in his division, Rohrbeck knows that he can always pull the plug if the ratings remain untenable and a reworked product leaves him unsatisfied. These days he decides which shows to purchase, what on-air talent to employ and when to make changes.

Gone are the days of group programming buys under the old RCA ownership. Gone is the flood of directives emanating from corporate headquarters in New York. Gone too are the daily calls to bring the station group president, Al Jerome, up to speed. "There is not 'groupthink' here," asserts William Moll, the new general manager of WNBC in New York and former president of the Television Bureau of Advertising and, before that, Harte-Hanks Television.

Jerome, president of the NBC television stations division since 1982, likes to talk about the commitment of General Electric Co. and NBC president Robert C. Wright to decentralization and autonomy. It's a management strategy that he believed in before GE and has vigorously pursued with his general managers since 1986. Under pressure to cut costs and downsize staffs—"delayering" as they say at GE—Jerome has demonstrated his desire to grant autonomy. "I had to change the level of detail that I got involved with," says Jerome, a former general manager of WNBC in New York and sales director and station manager of WMAQ in Chicago. "My instructions to general managers were to make more decisions."

Throughout the group, the body count is down 27 percent since GE's takeover four years ago. Jerome himself has shown a knack for paring away management. He reduced his division staff from 28 to 12, including vice presidents for news, programming, community affairs and advertising/promotion. And during a recent four-month stint as WNBC general manager while looking to replace Bud Carey—who left to run Times-Mirror Broadcasting—he cut back the direct reporting staff from nine to five.

As a result of the division-level cuts, Jerome is juggling more tasks than he did under the old regime. He's overseeing two more stations—NBC integrated KCNC, a GE-owned station, into the station group and acquired WTVJ in Miami—and angling to increase the division's production slate. He's also been reporting directly to Bob Wright since NBC group executive v.p. Bob Walsh retired several years ago.

All of this suggests the group's shift to the forefront of Wright's estimation and planning. "We've elevated the visibility of the stations," Wright says, noting that he leans hard on Jerome, "probably harder than he likes." And Wright says he has learned from his competitors: "In the past, the stations were more of a second cousin to the network. That certainly wasn't true at ABC. We've tried to imitate them."

House Party is the first offspring of a deal Jerome orchestrated with Tom Goodgame of Group W Productions for the two groups' 12 stations. Jerome knows that the bubbly infotainment program is not whole-heartedly supported by all his general managers—he's urged patience while the show works out its problems—but he's counting on their support of the deal's overall intent. "It only makes sense," insists Bob Morse, general manager of WMAQ in Chicago. "Eventually we'll hit and then we'll have filled a programming slot [with a show] that doesn't have enormously escalating license fees."

Jerome's forays extend well beyond the Group W venture. They include engineering two new programs with the news division and talking about shows with studios and independent distributors. He's pushing regional news operations via NBC's cable division, with the Los Angeles and Denver stations the farthest along in developing partnerships with local cable systems. He's also aiming to initiate two more station buys, acting on the stated desire of Wright to expand the network's station ownership from its current 22.3 percent reach of U.S. households. "We haven't closed any deals," Jerome says, "but I'm open to any discussions with anyone."

Inevitably, Jerome's widening role as deal-maker and corporate power broker has compelled him to hire strong general managers and hand them long reins. Morse, hired away from Fox Television's KTTV in Los Angeles, is one of this regime's fiercer advocates. "Boy, do I applaud Al Jerome and Bob Wright," he says, hearkening back to his one-year stay at Fox. "Barry Diller ran the station. Period. That's fine—he's a very bright guy. But I didn't have a job."

Morse had to relearn his role as a general manager for NBC. "It took me a while to stop calling him so much," Morse says of Jerome. "Al won't make the decisions for you." Jokingly referred to as the "minimal man" by Jerry Nachman, former general manager of WRC in Washington, D.C., Jerome's most oft-stated question by all accounts may be, "What do *you* want to do?" Says Nachman, "He has the most minimal ego of anybody I've ever seen with that big a job."

Yet while Jerome leaves the onus on his general managers to find solutions to their problems, he remains focused on the division's chief responsibility: to insure that his cash cows keep feeding the network. At one time, the stations were NBC's only lucrative business. In fact, says Jerome, total profits have continued to climb for each of the last ten years, with consistently strong profit margins. Margins last year ranged from well above 50 percent at WNBC in New York and KNBC in Los Angeles to the low 30s in Miami and Denver. And despite recent evidence of softening in NBC network sales and viewership levels, Jerome insists that the group will surpass last year's performance.

Among its network competitors the NBC station group ranks second financially. According to estimates for 1989 from First Boston Corp., ABC's owned stations achieved a margin of 54 percent, based on $435 million in operating income. NBC's margin was 42 percent with operating income of $289 million; CBS earned $155 million, a 36 percent margin.

Pressed to constantly improve those results in a mature broadcasting industry, cost-cutting has become akin to religious ritual at NBC. All of the owned stations have eliminated their station managers, for example. This left a management void when general manager slots opened in Chicago and New York, and compelled Jerome to take the unusual step of searching outside the company to fill them. "These are tough times," says Nachman, now the editor of the *New York Post*, "because GE will always raise the bar. If you can do 50 percent margins with this many people, then why can't you do 60 percent with even less?"

NBC station group president Al Jerome: 'I had to change the level of detail that I got involved with.'

PHOTOGRAPH BY MARK STERN

Roger Ogden was not shy in voicing his doubts to Jerome about joining the NBC station group after GE's purchase of RCA. Ogden had been general manager of KCNC in Denver since 1981, a broad-

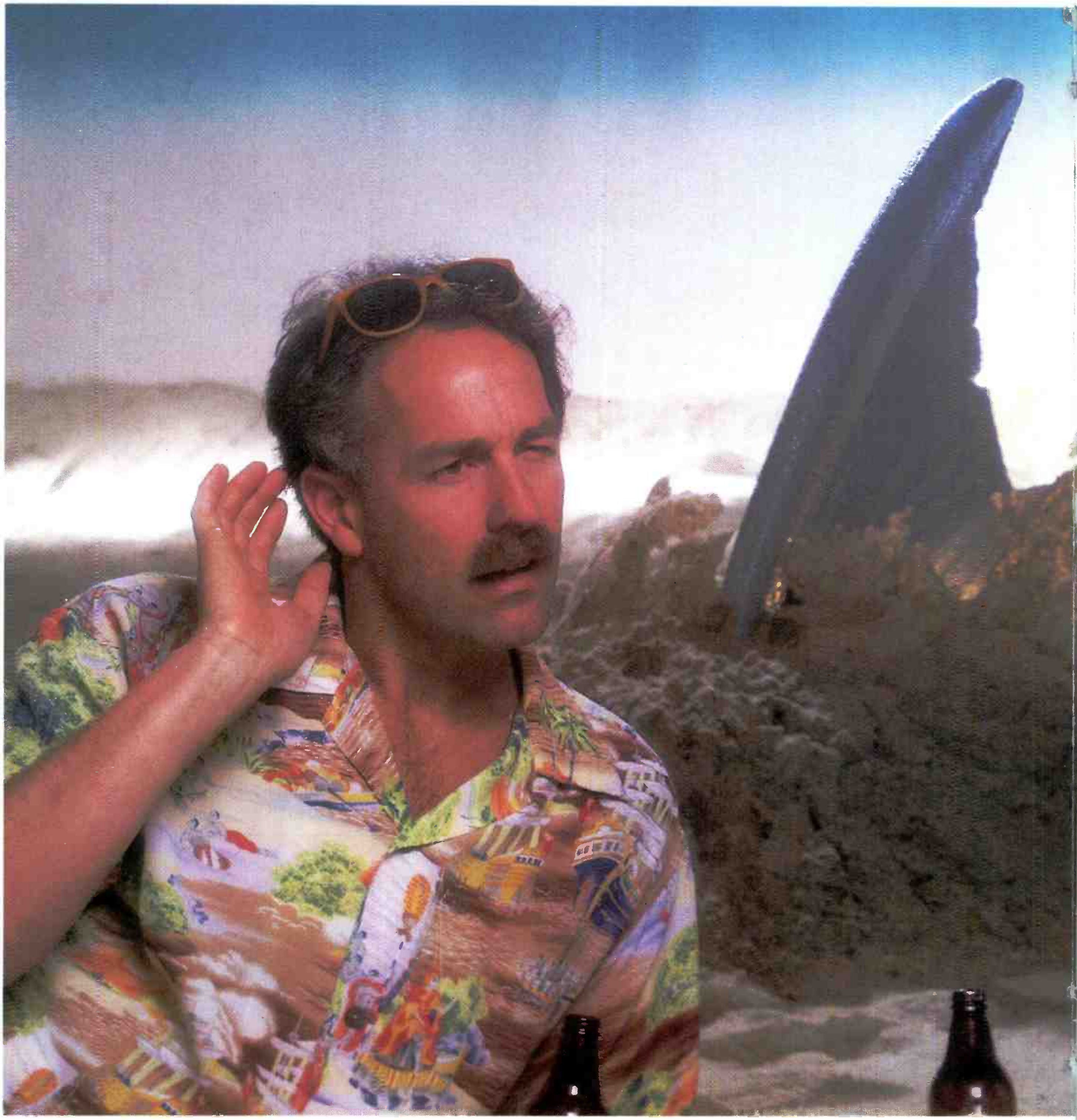
LONG FOR

Beginning April 1, 1990, your subscribers can see non-stop TV Comedy the way it was meant to be. It's HA! The TV Comedy Network. Long Form Comedy. TV Comedy that works.

M COMEDY.

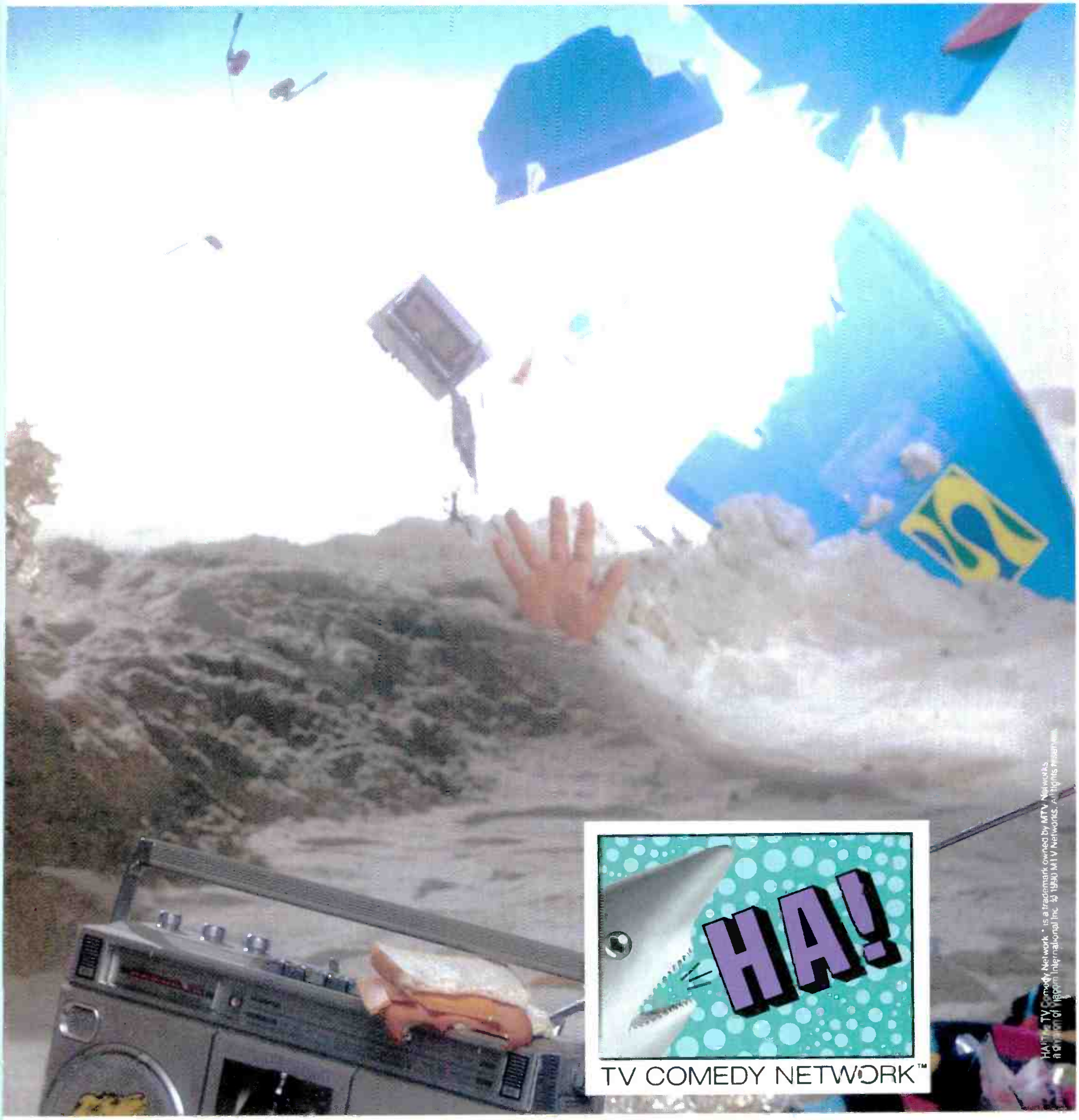
TV COMEDY THAT WORKS.

UNEXPECTE



Beginning April 1, 1990, your subscribers can see non-stop TV Comedy the way it was meant to be
It's HA! The TV Comedy Network. Unexpected Comedy. TV Comedy that works.

D COMEDY.



TV COMEDY THAT WORKS.

STICK AROU

Beginning April 1, 1990, your subscribers can see non-stop TV Comedy the way it was meant to be. It's HA! The TV Comedy Network. Stick Around Comedy. TV Comedy that works.

ND COMEDY.

TV COMEDY THAT WORKS.

cast journalist in Denver since the mid-'60s, and was in the midst of an unusual programming strategy to capture Denver viewers. He was not about to blow it just because his station had become an NBC owned station.

"At the point of the acquisition, the autonomy was far less than it is today and I had concerns about that," Ogden recalls. "I preached the story that these businesses are about as local a business as you're gonna find, as sensitive to the local market as the corner grocery store, and if we get into a centralized situation we're gonna undo a lot of the good things that have gone on here."

He found a willing ear with Jerome. "I want somebody who's going to be an expert in his marketplace. I'm not going to tell Roger Ogden what works in Denver," says Jerome. This despite Ogden's decision to program local news in access and early fringe, and the troubled Denver economy that was hurting the station's business. But Ogden's convictions and Jerome's flexibility have paid off: KCNC dominates local news and ranks number one in the market, sign-on to sign-off.

One of the few stations nationwide to run local news in access, KCNC consistently beats both *Wheel of Fortune* on KMGH and *Entertainment Tonight* on KUSA. KCNC's local news at 4 P.M. beat *Oprah* in the November Arbitron book, the only newscast in the country to do so. In all, KCNC runs 4 hours and 45 minutes of local news daily. And Ogden, to the admiration of his NBC peers, is spending little on syndicated programming. Says John Rohrbeck, whose long-term goal is to shape KNBC into a news and information station: "I think that Roger and his television station, with their programming and the reliance on news, are better equipped to meet the challenges of the '90s and the year 2000 than anyone."

That self-sufficiency is not lost on Richard Lobo, the former general manager at WMAQ in Chicago who Jerome moved to Miami after GE's $270 million purchase of WTVJ. "It [Denver] should be a model for any station that keeps paying money for failed syndicated product," Lobo says. Now the president and general manager, he is saddled with syndicated programming inherited from previous management. "It's been a major, multi-million dollar problem," Lobo says. "Little by little, I'd like to get out from under the yoke of some of what was paid for before I got here, particularly *Cosby* in early fringe. It's done poorly and hurt local news."

USA Today, *Hollywood Squares* and *Win, Lose or Draw* were also among his offerings in access and early fringe—and WTVJ had lost *Wheel* to the ABC affiliate, WPLG, before he arrived. "I had immediate problems," he says. "I had to stop the hemorrhaging."

In response, he snared *A Current Affair* away from WPLG and bought *Entertainment Tonight*, which was up for renewal, to run in access. Lobo is also adding a half hour of local news in early fringe, with *Hard Copy* as a 4:30 lead-in. Jerome has promised to provide seed money for an additional locally produced show for early fringe. "There's no reason why in this market we can't find an Hispanic Oprah Winfrey," Lobo says.

Unlike his predecessor, Lobo has benefited from the support of Jerome. Jerome axed Alan Perris, the former general manager, because the two could not resolve their programming differences before WTVJ became an NBC-owned station in January 1989. "We had to agree on a game plan in a very short time—and we couldn't," Jerome says. "Alan's game plan was very oriented toward syndication, and mine was very oriented toward community involvement, news and local programming."

Lobo faced a tough labor strike two years ago at WMAQ in Chicago, where one of every three jobs has been eliminated since 1986. He calls WTVJ's open shop a "breath of fresh air" in providing management flexibility, but an unsuccessful bid to vote in a union before he arrived reminded him of the ill will that downsizing and management change can breed.

To encourage communication, the new general manager has taken a high-profile route: "Donuts with Dick," "Lunch with Lobo" and an "Ask the Boss" suggestions box. More important, say some Miami staffers, Lobo has said the current employee roster of 205 can't get much leaner.

Throughout the NBC station group, there is satisfaction that the network is still in first place during prime time; with the sharpened competition for ad dollars and viewer attention, the general managers say, never has it been more important for the network to be on top. And even though some affiliates felt roughed-up during the last year by the network's clumsy handling of Jane Pauley and the sorely-missed early footage from the San Francisco quake, the owned stations contend that the experiences only heightened their sense of mutual dependence with the network.

Bob Wright was in Burbank at the time of the earthquake, and John Rohrbeck told him that the absence of pictures could be a disaster for KNBC. "That sort of thing could have destroyed everything we spent the last four years trying to build," he said later.

But KNBC soon was on the air with its own staff and stayed on deep into the night. Rohrbeck chose to run *The Today Show* live at 4 A.M. and then continued with local quake coverage all morning. "It never occurred to me that I had to ask permission and I never had anyone question what I was doing in terms of preempting the network," says Rohrbeck. "Within this company, you are expected to know what's best for your market."

It's that kind of long-distance support that has deepened the strong-willed general managers' respect for their corporate parent—even when it leaves them dangling in the wind. •

How the NBC O&Os Rank in Their Markets

Station-City	Sign-on to sign-off rating/share (rank in market)	Early Fringe	Access	Prime Time
WNBC—New York	6/17 (2)	6/13 (3*)	7/13 (4)	14/22 (1*)
KNBC—L.A.	6/16 (1*)	7/15 (2)	8/13 (3)	12/20 (1*)
WMAQ—Chicago	6/15 (3)	5/11 (4*)	6/12 (5)	16/24 (2)
WRC—Washington	6/17 (3*)	6/15 (4)	8/16 (3*)	13/22 (1)
WKYC—Cleveland	8/19 (2*)	8/15 (3)	8/13 (3)	16/25 (1*)
WTVJ—Miami	6/16 (1*)	6/11 (3*)	8/13 (3*)	12/20 (1)
KCNC—Denver	7/23 (1)	9/22 (1)	11/23 (1)	14/23 (2)

All ratings derive from Arbitron (November '89). For all cities except Chicago and Denver, early fringe refers to 4–7:30 P.M. Monday–Friday, access is 7:30–8 P.M. Monday–Friday, and prime time is 8–11 P.M. Monday–Friday and 7–11 P.M. Sunday. All dayparts begin and end an hour earlier in Chicago and Denver.
*Indicates a tie.

Compiled by Matthew Natale.

WHO OWNS BROADCASTING?

Program Balancing Acts

As programming costs soar, station groups must decide how much local autonomy to sacrifice for the sake of the group.

By Richard Katz

Chief executives at broadcast station groups, eager to make clear their commitment to localism, like to harp on how much autonomy their individual stations have in making programming decisions. In practice, however, a delicate balance of power exists between station group and local station managements. Most stations do control the majority of their individual programming decisions. But due to the steady escalation of program costs in recent years, and stations' shrinking profit margins, corporate management almost always plays some part in the programming process.

"The stakes are higher today, and top management generally moves in when stakes are higher," says veteran syndicator George Back, president of All-American Television. "Until '85 there was a much looser management style, because historically this industry had operated at very high net profitability. But the Grant [Broadcasting] bankruptcies sent a shock wave—a station actually could go bankrupt." That, continues Back, "was an unheard-of word in this industry, and it woke people up to a more hands-on mode. Management is now very aware what kind of trouble you can get into buying programming."

Higher stakes have also resulted in a shift in responsibility for buying shows—away from the program director and to the general manager (see box). "When the price of product went up," says Ron Martzolf, director of programming for Petry and formerly director of programming at WKBW in Buffalo, N.Y., "the GMs got more involved out of necessity because it was such a huge percentage of the station's expenses." Says Back: "The GM is responsible to group now, and group is tightening the reins on him. The last thing he can do is say the program director screwed up."

Cecil Walker, president and CEO of Gannett Broadcasting, agrees that GMs "have to be more involved. The program director's role has changed: it's moved from making purchases that are strictly short term to making big-ticket purchases spread over a long period of time."

Gannett's Walker: 'We have a heavy line of information flow because we don't want to be surprised.'

Walker says Gannett's GMs have "autonomy with accountability," and as a result Gannett has a very short chain of command. Five of the ten GMs report to Ron Townsend, president of the TV division, and five report to Walker. (Townsend reports to Walker, who reports directly to Gannett chairman and CEO John Curley.) "We certainly have parameters we expect [the GMs] to operate in," says Walker. "We have a heavy line of accountability, which means a heavy flow of information, because we don't like to be surprised."

Facilitating the flow of information is a key role of corporate management. Many group executives say they're on the phone almost daily with their GMs. Groups such as Gaylord and ACT III Broadcasting (a division of the company that owns *Channels*) set up weekly brainstorming conference calls in which all the general managers share ideas.

But headquarters' most vital role—and means for control—is the annual allocation of capital to stations. "The decision about what programs the station can or cannot buy is made at the local level," acknowledges Phil Corvo, president and COO of the National Association of Television Program Executives. "But the philosophical/conceptual [decision] is made by headquarters, and that is felt most at the budget meeting."

Clyde Formby, program director for Heritage Media (a six-station group of affiliates and one indie), insists that, at the very least, oversight at the budget level is necessary. "As a group," he says, "it is very important to us that we have the same basic philosophy." Formby tries to forecast program expenditures and sales volume as much as five years out for the stations in his group. And he makes sure the local stations' quest for number-one ratings doesn't jeopardize their ability to turn a profit on the time period. "We are very cautious in analyzing programs as far as the revenue we expect. We are not [going to pay a high price] for a program that will break even. We'd rather run a program that will be a number two in rating, or a number three, that's going to be salable and will bring revenue into the company."

At the annual Gannett budget meetings, Townsend and Walker test the assumptions the general managers make in their funding proposal. "We want to

Dan Sullivan, TV president of Clear Channel: 'The ultimate decision lies with the GM.'

know the thought process he went through to come to the conclusion that this is the kind of programming that should be a part of the mix," says Townsend.

The group programming buy, which allows a syndicator to clear several markets in one shot and therefore offer a price break to the group, provides clear economies. Consummated without full agreement, however, it's also what makes a local station feel like corporate is shoving programming down its throat. A solution, says Richard Ballinger, vice president, programming and promotion of ACT III Broadcasting, is that group buys need not be made for just one show. For example, he says, when making a buy from Warner Bros., the stations of a group can mix and match Warner shows such as *Amen*, *Perfect Strangers* and *Head of the Class* and still get a discount.

Formby says his corporate vantage point is critical for initiating group buys. "I'm able to sit back and look at the whole group and see where there might be a common need for certain programs," says Formby, whose stations run *Geraldo* in five markets and *Who's the Boss?*, *Family Ties*, *Growing Pains* and *Cheers* in three markets. "I originate the negotiation process and sometimes I handle it, sometimes the GMs will handle it," he says. "It depends on the rapport each of us has with the individual syndicator."

Michael Finkelstein, president and CEO of Renaissance Communications, takes a team approach to buying programming, utilizing the varied expertise in his group. "In some cases we are buying programs for several million dollars, and you don't throw these fish back if they're too small," he says. Each program under consideration by the group is analyzed by stations' programming, promotion, research and financial people. "We don't work with directives," Finkelstein says, "it's a consensus."

When it's time to cut the deal, says Barry Lewis, managing director at station brokerage Sandler Associates, group-level intervention is almost a sure thing. "The owners and the heads of the group get involved in the negotiations for price and terms," he says. "[Their attitude is], 'You need this show? I want to be there when you negotiate it.' "

The station group Clear Channel proves Lewis' point. Dan Sullivan, president of Clear Channel's TV division, says, "The GMs and I go through the cost analysis, projected ratings, numbers of runs and all that stuff, and then I negotiate the price on behalf of the individual stations." Yet Sullivan is careful to weigh the benefits of a group deal against the enthusiasm for a show on the station level. "If a program makes sense in a number of markets, we try to put as much tonnage on the table as possible," he says, "but the ultimate decision lies with the GM."

Many group presidents and program directors come from the ranks of station GMs or PDs, and that explains at least part of this kind of sensibility. "At the station level, I hated it when I was told what to buy," says William Bolster, president of Multimedia Broadcasting and formerly GM at KSDK-TV in St. Louis. "So unless someone waves a magic wand over me I won't dictate buys, because [the stations] will resent it the way I did."

Although they don't like to admit it, some companies do dictate group buys. "The groups don't want to publicly diminish the role of the general manager in the decision-making process," says Petry's Martzolf, "but every once in a while one of my stations says they cannot bid on a product because a group buy was made [for another show]."

Gannett's Walker—a former station GM—says his stations rarely make a group buy, but they do have a few group responsibilities. These range from supporting general Gannett philosophies, such as being news heavy and giving out community service awards, to buying Gannett-backed programming such as *USA Today on TV*, which Gannett produced in partnership with Grant Tinker. Far from complaining about having been saddled with the disappointing magazine show, Gannett GMs offer only praise for *USA Today*. A home-grown show gives a station group control over quality and cost—two of the reasons corporate management is taking a closer look at member stations' program decisions. "We really wanted the show to work," says Henry Price, general manager of WFMY in Greensboro, N.C. "I was sorry it didn't last. We're trying to get away from depending on syndicators, and we would have controlled this show." •

Programmer No More

Soaring programming costs during the past five years have in many instances taken program buying decisions out of the program director's hands and put them into the general manager's—especially at affiliate stations. "The program director's role is being redefined, and 'program director' isn't an accurate description," says Steve Ridge, vice president, consultation, for Frank Magid Associates.

Multimedia Broadcasting president William Bolster notes that a change in the gene pool of general managers is driving the process. "General managers used to always come out of sales," he says, "and now a lot are coming out of programming, so they have expertise in programming and they don't need nearly the backup they would otherwise." Plus, he says, "With everyone having programming consultants and reps, and since very few [new shows] make it anymore, the decisions aren't nearly as great as they used to be."

Phil Corvo, president and COO of NATPE, says he has tracked three models of change in the PD spot. "In many cases, what we once knew as the program director is being given more authority," says Corvo. "That person is more involved in the daily operation of the station, taking the responsibility for assigning production and creative services, and sometimes even engineering. It's almost like an assistant general manager."

In the second instance, at stations where there is an operations manager in place, "there may be a programmer, but his responsibilities have lessened," Corvo says. "That person is really only into program amortization and scheduling." In this scenario, Magid's Ridge adds, "The program director's function is keeping up relationships with syndicators in terms of screening programs and pilots. But when it comes to the ultimate decision-making and negotiations, there's no question—that's a part of the general manager's responsibility."

Corvo's third model represents no change in rank. "At most independents, the program director is the old-time program director we once knew," he says. "A general manager cannot program an entire 24-hour day. He needs to have someone with experience who knows how to do that."

But soaring programming costs and programming-savvy GMs may not be the only reason the program director is an endangered species. Says one TV executive, "The general managers find they can save dollars on the bottom line, in effect eliminating a management position, by downgrading the position of program director." R.K.

BUILDING AFFILIATE STATION GROUPS

COMPANY (OWNER) Station (Network)/Market		Acquisition Price/Date ($MIL)	National vs. Local Ad Split	Audience Shares** Sign on/ Sign off	Early Fringe	Prime Time
ANCHOR MEDIA (Robert M. Bass, Alan Henry and other partners)						
WLOS (ABC)	Asheville, N.C.-Greenville, S.C.	$50/ April '87	50/50	20	23	22
WSYX (ABC)	Columbus, Ohio	90/ Oct. '87	43/57	21	28	24
KOVR (ABC)	Sacramento, Calif.	126/ Jan. '89	62/38	18	18	21
DAVIS-GOLDFARB CO. (Joseph Goldfarb, Barbara Goldfarb and Marvin Davis)						
KCPM (NBC)	Chico, Calif.	23*/ July '88	40/60	14	14	16
KMID (ABC)	Midland, Texas	—/ July '88	40/60	23	24	27
KSPR (ABC)	Springfield, Mo.	—/ July '88	33/67	12	13	15
FEDERAL BROADCASTING (Federal Enterprises)						
KTVO (ABC)	Ottumwa, Iowa-Kirksville, Mo.	31*/ May '87	35/65	35	42	31
WLUC (CBS)	Marquette, Mich.	—/ May '87	45/55	42	55	34
GRANITE BROADCASTING (Don Cornwell, Stuart Beck and other partners)						
KBJR (NBC)	Duluth, Minn.	12.2/ Oct. '88	42/58	23	27	25
WEEK (NBC)	Peoria, Ill.	33/ Oct. '88	45/55	23	29	27
WPTA (ABC)	Ft. Wayne, Ind.	26.5/ Dec. '89	45/55	25	30	27
KNTV (ABC)	San Jose-Salinas-Monterey, Calif.	59/Feb. '90	40/60	16	12	20
GREAT AMERICAN BROADCASTING (Great American Communications)						
WBRC (ABC)	Birmingham, Ala.	NA/ Oct. '87	49/51	28	41	24
WKRC (ABC)	Cincinnati, Ohio	NA/ Oct. '87	50/50	19	16	23
WDAF (NBC)	Kansas City, Mo.	NA/ Oct. '87	45/55	23	17	27
WTSP (ABC)	St. Petersburg-Tampa, Fla.	NA/ Oct. '87	45/55	19	19	19
KTSP (CBS)	Phoenix, Ariz.	NA/ Oct. '87	50/50	22	26	20
NORTH STAR TELEVISION GROUP (Desai Capital 40%; Osborn Comm. 25%; Richard Appleton 10%; Price Comm. 10% and others)						
WAPT (ABC)	Jackson, Miss.	120*/ Nov. '89	40/60	14	14	16
WSEE (CBS)	Erie, Pa.	—/ Nov. '89	40/60	17	20	16
WZZM (ABC)	Grand Rapids, Mich.	—/ Nov. '89	46/54	19	23	18
WNAC (Fox)	Providence, R.I.	—/ Nov. '89	55/45	3	3	3

*Group price paid for all stations. **All audience shares are from November 1989 ratings books, supplied by stations. Early fringe: 4:00-7:30 P.M.; 3:00-6:30 P.M. Central and Mountain time. NA: Not available. Great American purchased the stations along with 16 radio stations, Hanna-Barbera Productions and Worldvision Enterprises for $1.45 billion. Sources: companies. Compiled by *Channels*.

Have You Had About All the Local Advertising You Can Take?

Of course not. That's why over 129 local stations use Custom Target AID every day to bring in new advertising dollars from retailers. At the push of a button, CTA lets you create customized retail trading areas to give you ratings for the same locations as retailers' trading areas. With CTA, you can demonstrate to retailers just how many of their potential customers they can reach using television.

Custom Target AID is just one more example of the Arbitron commitment to the business of local market television. So when you want local market tools that solve local market problems, turn to the champion who's been at it since 1949. Contact your local Arbitron representative and see how much local advertising you can take.

ARBITRON

The Local Market Champion

1990 NAB Pathfinder

The advertisers appearing in this directory are exhibitors at the 68th annual NAB convention being held in Atlanta at the Georgia World Congress Center on Saturday, March 31st through Tuesday, April 3rd. Exhibitors are featuring their products and services in this directory for your convenience.

ASSOCIATED PRESS BROADCAST SERVICES

Hyatt Suite #1731

AP

A new way to look at the news. AP NewsDesk, the exciting new computer software program for radio and television newsrooms now on display. Come and see how this technological innovation can help you better manage your news and information flow.

DATA CENTER MANAGEMENT

"See DCM with JDS at NAB Booth #5014."

NEWS DATA
The Ultimate Newsroom Control
DCM
Data Center Management

DCM is offering hands-on demonstrations of NewsData Version 3.0, the newest of their highly successful newsroom automation systems. Featuring innovative, easy-to-use screen displays, NewsData is an affordable, full-featured system including standard news-room functions plus electronic prompting, closed captioning and interfaces to character generators and robotic cameras.

IDB COMMUNICATIONS GROUP, INC.

NAB Booth #1718

IDB provides domestic and international satellite transmission and distribution services for radio, television and data/voice communications. See live demonstrations of two new video offerings: "Atlantic Express" occasional service to London with British Telecom International, and "Sputnik Express". IDB has major facilities in New York and Los Angeles, the largest U.S. fleet of transportable earth stations, Sports Satellite Interconnect system nationwide and division Hughes Television Network.

IDB COMMUNICATIONS
GROUP, INC.

PANASONIC BROADCAST SYSTEMS COMPANY

NAB Booth #2534

**VALUE AND INNOVATION.
FIRST AND FOREMOST.**

Panasonic
Broadcast Systems

ATTENTION CONVENTION EXHIBITORS

Have Some Last Minute News?
Scheduling a Special Event At Your Exhibit?

Now you can get the word out at 13 industry events in 1990 with *Channels Convention Pathfinders*.
You can deliver your latest news to your important clients at the following conventions:

INTV	Texas Cable	CAB	BPME-BDA	Great Lakes Cable	Atlantic Cable
NATPE	NAB	NCTA	Eastern Cable	RTNDA	TVBA
					Western Cable

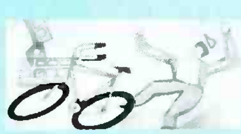
For more information about this program, please contact:
Jeanmarie McFadden, Advertising Services Manager, CHANNELS MAGAZINE,
401 Park Avenue South,
New York, New York 10016.
Tel#(212) 545-5193, FAX (212) 696-4215

CABLE'S NEW AD MISSION

Cable may be in nearly every national advertiser's TV budget, but purchasing network and national spot is far from simple.

In this country's largest markets, advertisers often must hurdle a bureaucratic morass when trying to buy national spot time from the patchwork of area interconects. Inefficiency stymies the growth of the cable spot business not just in top-10 mar-kets but across the U.S.

Network ad buyers, meanwhile, be-moan the cutback in advertising extras offered by established cable services. After helping them sustain years of double-digit growth, advertisers sense a complacency at some services. Is cable getting soft?



Revenue Rank
'89 Revenue (000s)
'90 Proj. Rev.
1
$10,000
$13,000

CLEANING UP SPOT

As go big-city interconnects, so goes cable spot.

By Chuck Reece

Laura Silton, a senior vice president in the media department at McCann-Erickson, one of the nation's largest advertising agencies, is a big fan of cable networks. She buys advertising time on the services regularly for many of her clients. But Silton rarely purchases national spot cable, because, she says, it "hardly ever makes any sense."

Take the case of airlines, for instance. Because of a frequent need to run different ads in every market, the industry seems a perfect match for spot cable. But airlines steer clear of it because many systems put commercials on what is called a "sequential reel." Under that system, an advertiser has to buy a week-long flight of spots, and commercials cannot be substituted mid-week.

"[The airlines] all have policies that if there's an airline crash, their stuff is going to be pulled immediately for 48 hours," explains Silton. "You couldn't buy sequential reel."

That sequential reel is just one symptom of the inadequate sales mechanisms and confusion that have kept cable television from developing a thriving national spot business. Great sums of advertising revenue would rain down on the business, experts say, if these problems were solved.

As long as operators can't agree on solutions, such difficulties will plague national spot sales. And agreement is hardest to achieve precisely where spot television buys are most vital: in the largest metropolitan areas. By some estimates, 70 percent of all national spot TV sales are made in the top 25 Areas of Dominant Influence; that's where the viewers are. If buys can't be made in the biggest markets, most spot packages fall apart.

Interconnects in the top four markets—New York, Los Angeles, Chicago and Philadelphia—have tried to unify the distribution mechanisms, billing procedures and pricing of each area's cable franchises and make it easier for advertisers to buy entire regions at one swoop. Some interconnects are succeeding at that mission; some have failed.

But all the interconnects in the giant markets face the same root problem: getting dozens of cable operators to come to a consensus on how to sell national spot cable. "It's not so much how big the market is. It's the number of players," says Ron Fischmann, vice president for local sales at the Cabletelevision Advertising Bureau. "Look at Chicago—they must have 30 or 40 systems that have to agree on how things are going to be done."

The systems are coming round to the idea that they must find common ground if they want to tap into the national spot dollars awaiting them. And there is pent-up demand. Silton and others on the buying side agree that once national spot becomes cost-effective and easy to buy, it will be purchased.

Fischmann anticipates "an avalanche" of national spot cable sales in about two

How to attract advertisers in

Start with the best audience in town—A&E's. With more affluent viewers than any other cable network, A&E is a powerful magnet for the most desirable local advertisers.

Upscale product categories like financial services and new imported cars are drawn to the professional/managerial men who watch A&E's compelling documentary line-up. High-end categories like travel and entertainment and exclusive retail are looking for the educated working women who tune in to A&E's high-quality drama and performing arts programming. And advertisers for all kinds of big-ticket items from electronics to computers want the hard-to-reach young professionals who unwind every night with A&E's exciting comedy shows.

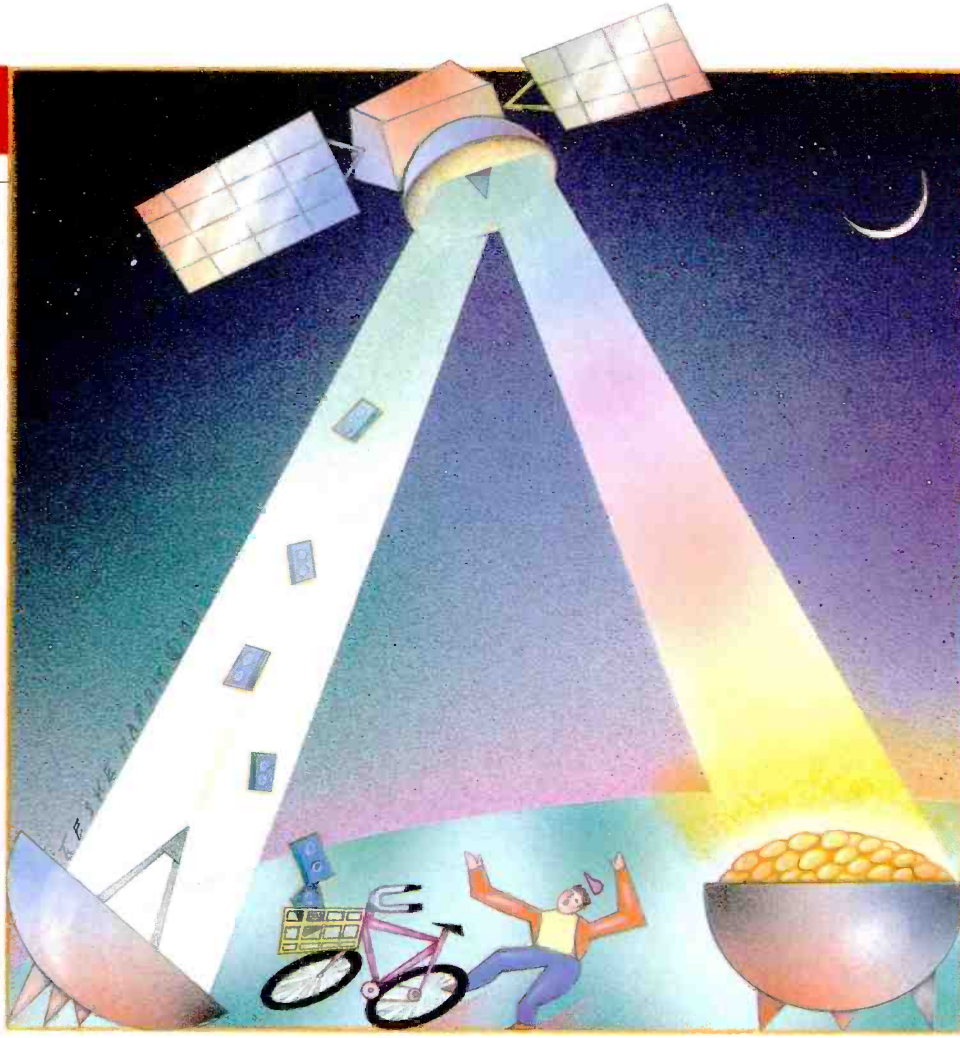
the best town.

High-quality
advertisers
want
the highest
quality audience
on cable
—A&E's

A&E
The
leader
in
quality
entertainment

In your quest for the best advertising sales year ever, don't forget to call A&E for valuable marketing support. We'll arm you with all the facts you need to make the sale, plus creative new packaging, promotion, and prospecting ideas. The record numbers of incremental advertisers you'll bring in could mean record profits for you.

Call
Mark Mersky
Director,
Local Advertising Sales
at
A&E®
(212) 210-0532



years, driving up the $45 million of cable-spot revenue garnered last year (according to Paul Kagan Associates). While more conservative observers expect national spot to reach a critical mass five years out, most experts agree that it's coming—if the biggest markets solve their problems.

Of the four largest markets, Los Angeles seems to have done the best job getting major difficulties under control. Helping things considerably is the ownership structure of Adlink, the L.A. market's interconnect.

In many markets, only one or two operators own the interconnect. Other systems must contract for representation with the interconnect or fend for themselves. Too many systems selling themselves in a market creates confusion for buyers, severely limiting the volume of spot business.

Adlink's ownership, however, is shared by Prime Ticket, a regional sports network, and the seven top Los Angeles operators. The equity arrangement, says Adlink president Alan McGlade, has given the interconnect the power to make spot cable an easy buy in L.A. In 1989, Adlink's first full year of operation, it snagged $5 million in national and regional spot advertising.

Bob Williams, president of National Cable Advertising, one of the two major rep firms in the national spot cable business, calls Adlink "a Porsche in a traffic jam of Volkswagens." The engine propelling the Porsche is Adlink's satellite connection to almost every system in the Los Angeles area. That satellite uplink, currently the only one in the nation operated by a cable interconnect, has solved a major problem buyers have with spot cable—distribution.

Interconnects historically have used either microwave transmission or a method called "bicycling" to distribute commercials to the various systems in a market. "Bicycling" is not a euphemism; it's frighteningly literal. When an advertiser buys time on an interconnect of 40 systems, it must send the interconnect 40 tapes, which are actually bicycled—or otherwise sent by courier—to each system. For buyers, tape-duplication is a needless added expense. "We don't want to send out 4,000 tapes," Silton says.

But Adlink needs just one tape. The spot is sent via satellite to each cable system, digitally encoded with instructions for when and how often to run the spot.

The high cost of setting up a satellite-fed interconnect system is cited by many cable systems as the reason for sticking with tape bicycling. But McGlade says the actual expense isn't as scary as the perceived cost, largely because cable operators already have satellite receivers to get programming feeds from cable networks.

Getting on line costs each system about $40,000—primarily for computerized recording and switching equipment that keep track of the various commercials being sent. The equipment also allows spots to be pulled or added at any time. A strong sales staff at an interconnect could recoup that $40,000 for every system in a year's time, according to McGlade.

Another satellite-linked interconnect could emerge in Philadelphia. Greater Philadelphia Cable Interconnect is considering both bird and microwave delivery, with a decision expected this month. GPCI and the city's other interconnect, Metrobase, have been bicycling tapes. Although Greater Philadelphia's 43 systems have done well with local sales in the past, the revenue growth is slowing. "The local business is going to hit a plateau," says GPCI general manager Robert Bubeck. "The next revenue

ILLUSTRATION BY DIANE TESKE HARRIS

SINCE 1893, THOUSANDS OF MEN HAVE BEEN WILLING TO GET THEIR TEETH BASHED IN TO GET THEIR HANDS ON THIS.

stream is regional and national spot business."

In Chicago, there has long been a microwave link—called Centel Videopath—that cable systems use for routing commercials from the seller to the individual systems. But distribution hasn't been the problem in Chicago—the problem has been finding the right sales representative.

Videopath was first used to interconnect the market by CBS, which, after two years in the mid-1980s, decided to get out of the cable sales business. National spot sales were taken over in 1987 by the now-defunct Network Media Corp. NMC's reign ended after only a year in a rash of legal disputes, since settled out of court, over distribution of the interconnect's profits between seven cable operators and NMC president Rick Harmon. After the NMC mess, seven of the nine major Chicago operators decided to sign contracts with one of the national spot-cable rep firms to run a non-equity Chicago interconnect. The operators picked Williams' firm, NCA.

Susan Wallace, NCA's Midwest region general manager, says things are starting to run smoothly in Chicago because the operators have agreed to set up a realistic price structure. Pricing problems have long plagued the national spot cable business. The reason, ironically, is the success operators have experienced in generating local advertising revenues.

The prices that have been charged local retailers "are not based on ratings or demographics," explains Adlink's McGlade. "They're based many times on emotion. A local car dealer gets excited that his spot is on NFL on ESPN, and he's willing to pay $500 for that. But that was very arbitrary."

The problem starts there. If an interconnect determines a marketwide price by calling every system it represents and asking what each wants for a 30-second prime-time spot on ESPN, the total price is far above the cost per rating point that agencies are currently paying local TV stations.

The disparity is so great, buyers say, that national spot cable becomes almost impossible. "Let's say I wanted to buy [commercials on] USA Network in just the top eight markets," says Silton. "It is literally cheaper for us to buy the entire network."

In Chicago, Wallace reports, the operators have developed a separate national-spot price structure. "We're not trying to lower [local] rates," she says, "but I think we've been successful in working with the systems to make them understand the need to support a national effort."

Buyers say that New York—the most crucial market in nearly every national spot buy—is the toughest market in which to make a deal. Apparently, agreement among operators is hard to come by, especially when the subject is pricing national spot at rates below those charged local advertisers. The New York Interconnect is run by Cablevision Systems' Cable Networks Inc., the other major national cable spot rep.

Peter Moran, the CNI senior v.p. who manages the New York Interconnect, says local operators won't accept the kind of rates other interconnects charge to attract national advertisers. "Adlink is charging anywhere from 12 and a half to 20 cents per thousand for spot rates," he says. "If I tried to do that in New York, these guys would have my head." The New York Interconnect operators typically charge local advertisers 75 to 80 cents per thousand viewers.

The New York set-up may change in the not-too-distant future, however. A group of area operators are exploring the possibility of setting up an equity-based cooperative interconnect, a la Adlink. "We've got a group together, and all the operators have expressed a fervent interest in exploring some alternatives," says Paul Freas, president of TKR Cable Co. An equity interest is vital, he adds, because "you can guide your destiny better. Then we can rise or fall together."

Cablevision's chairman and chief executive, Chuck Dolan, has attended at least one of this group's meetings. Sources say that even though he owns the New York Interconnect, Dolan is not dead set against a cooperative if it could deliver more money to the market. He does, after all, own about 25 percent of the market's subscribers and part of SportsChannel New York.

If these top four markets can develop stable, uniform distribution procedures and realistic price structures, there is little doubt national advertisers will shower them with money.

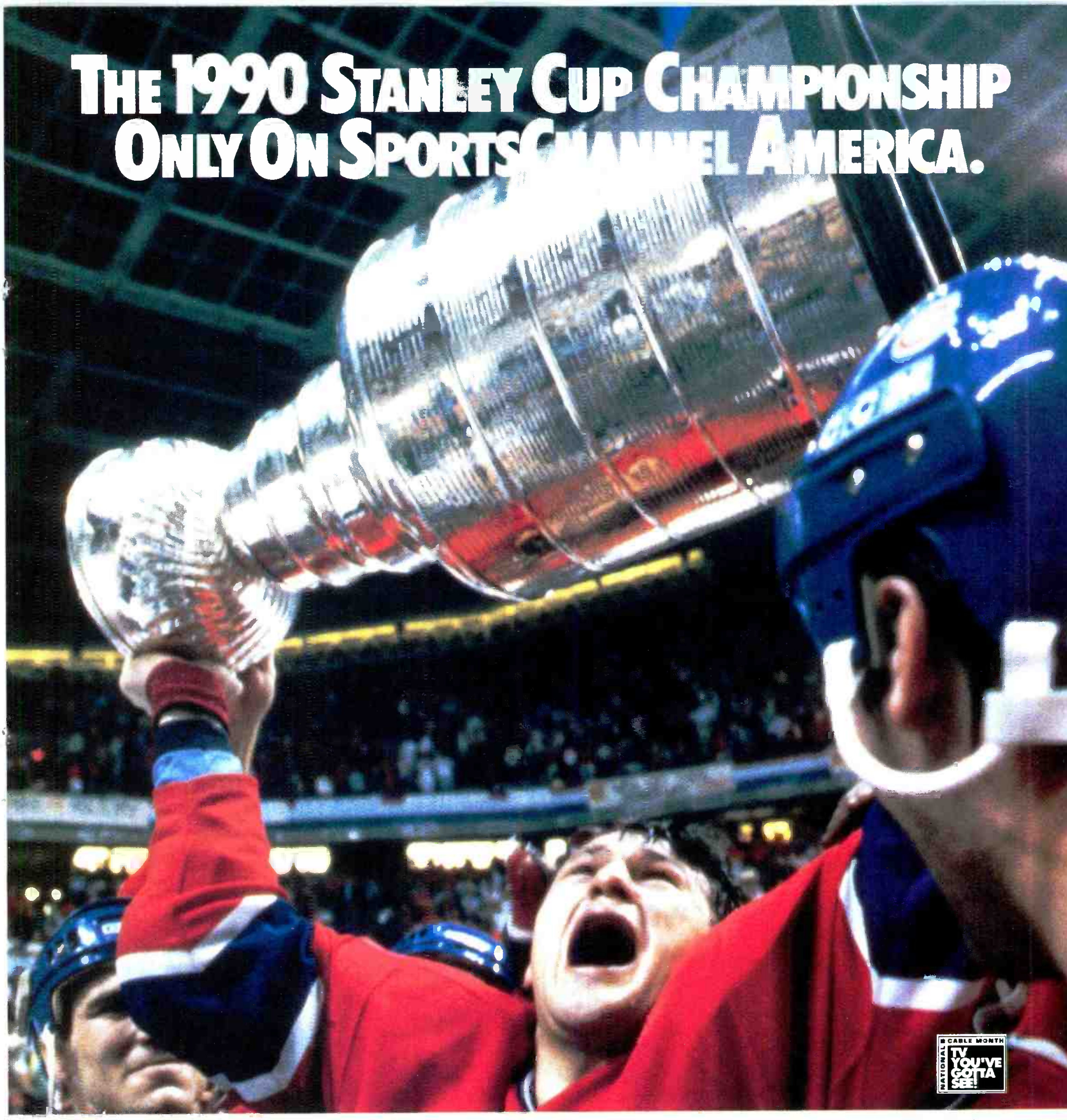
"Call Campbell Soup, Frito-Lay, any big company and say, 'Do you think micromarketing and targeting is here to stay?' They'll chew your ear off," says NCA's Williams. "They're all breaking into regions, they're all going demo-specific. This whole marketing momentum is coming our way." •

Former *Channels* senior editor Chuck Reece is a staff writer for the Atlanta business magazine *Georgia Trend*.

Interconnects in the Top Four Markets

MARKET Name Telephone #	Revenue Rank* '89 Revenue (000s) '90 Proj. Rev.	Subscribers (000s) Percent of subs in DMA	Method of distribution	Ownership
NEW YORK New York Interconnect (212) 889-4670	1 $10,000 $13,000	3,063 79%	bicycle	Cablevision, Maclean Hunter, Sammons, ATC, Adelphia, Comcast
LOS ANGELES Adlink (213) 390-8888	13 3,500 4,500	1,274 52	satellite and bicycle	Prime Ticket Network, Comcast, Continental, DHN, United Artists, KBLCOM, King Broadcasting, Times Mirror
CHICAGO Chicago Interconnect (312) 527-5755	44 1,200 3,000	600 43	microwave and bicycle	**Continental, MetroVision, Post-Newsweek, Multimedia, Group W, Jones, United Artists
PHILADELPHIA Greater Philadelphia Cable Interconnect (215) 790-1220	12 3,550 5,600	1,274 69	bicycle	Comcast, Lenfest, Greater Media, Heritage
Metrobase Cable Advertising (215) 640-1340	5 5,800 6,100	635.7 36	bicycle	Harron
Cable Ad Net/ Philadelphia Interconnect (215) 296-9000	9 3,784 4,472	412.2 24	bicycle	Lenfest

NOTE: This chart includes interconnects serving more than 5 percent of the DMA's cable subscriber base. Revenue data from Paul Kagan Associates, companies listed and the Cabletelevision Advertising Bureau.
* Rank among all interconnects by 1989 revenue.
** The Chicago Interconnect is a cooperative venture among the listed MSOs, which have no equity investment. It is represented by National Cable Advertising.
Compiled by Dave Kasdan.



SportsChannel America is offering you the chance to bring the only major sports championship available on cable-TV to your market. From the first faceoff to the final over-time, your subscribers will receive complete coverage of the Stanley Cup Championship.

SportsChannel America offers "TV You've Gotta See" during National Cable Month with the Stanley Cup Championship and throughout the year with a wide variety of premier sporting events (over 80% live), 7 days a week. All of this adds up to a lucrative advertising sales opportunity. SportsChannel America gives you a full 4 minutes of local prime time ad avails per hour plus a unique package of local promotions designed for your market.

WALES CONFERENCE · CAMPBELL CONFERENCE
STANLEY CUP CHAMPIONSHIP
1990
SportsChannel America

To learn more about our exciting Stanley Cup offer and everything else we have in store for 1990, call us at (516) 364-0876.

SPORTSCHANNEL AMERICA. WITHOUT IT, YOU'RE MISSING HALF THE GAME.

CABLE ADVERTISING'S GROWING PAINS

BATTLING THE BULGE

Has the good life taken the edge off of network cable sales?

By Jack Loftus

Once known for commercials hawking tummy flatteners and Jerry Vale records, cable networks are nipping at the $2 billion mark in ad sales these days. Not only is the hungry look out of style on the major services, but advertisers who found cable attractive in the past say it's sporting a midriff bulge that is creating a new set of sales challenges.

"On the whole," says one agency buyer about the top cable networks, "they're not as creative as they used to be." Both CNN and ESPN, for example, are considered a "difficult buy because they're in more demand. They are pretty well sold." And agencies looking for cable networks willing to go the extra mile are finding it increasingly difficult.

The era of dining on leftovers has ended. The cable networks are expected to do better than $1.6 billion in ad sales this year, trumpets the Cabletelevision Advertising Bureau, and should approach the $3 billion mark by 1995. Network cable has arrived. It even has an upfront—$500 million last time around—which makes it just another part of nearly every national advertiser's television buy.

"We treat cable networks no differently from the broadcast networks," says Douglas Ritter, corporate broadcast manager at AT&T. "They are not different. They are television."

One group of TV networks touts CPMs, while the other sells target audiences. But both live well, and cable is discovering that an easier life can make a once-lean competitor soft. Some of the problem areas:

- How to be flexible in managing inventory in order to accommodate last-minute buys.
- Whether or not to slash prices to attract non-traditional cable buyers.
- How to bring uniformity and technology into sales contracts and invoicing.

AT&T pumps $8 million into network cable looking for upscale demos on CNN, ESPN TNT and The Weather Channel.

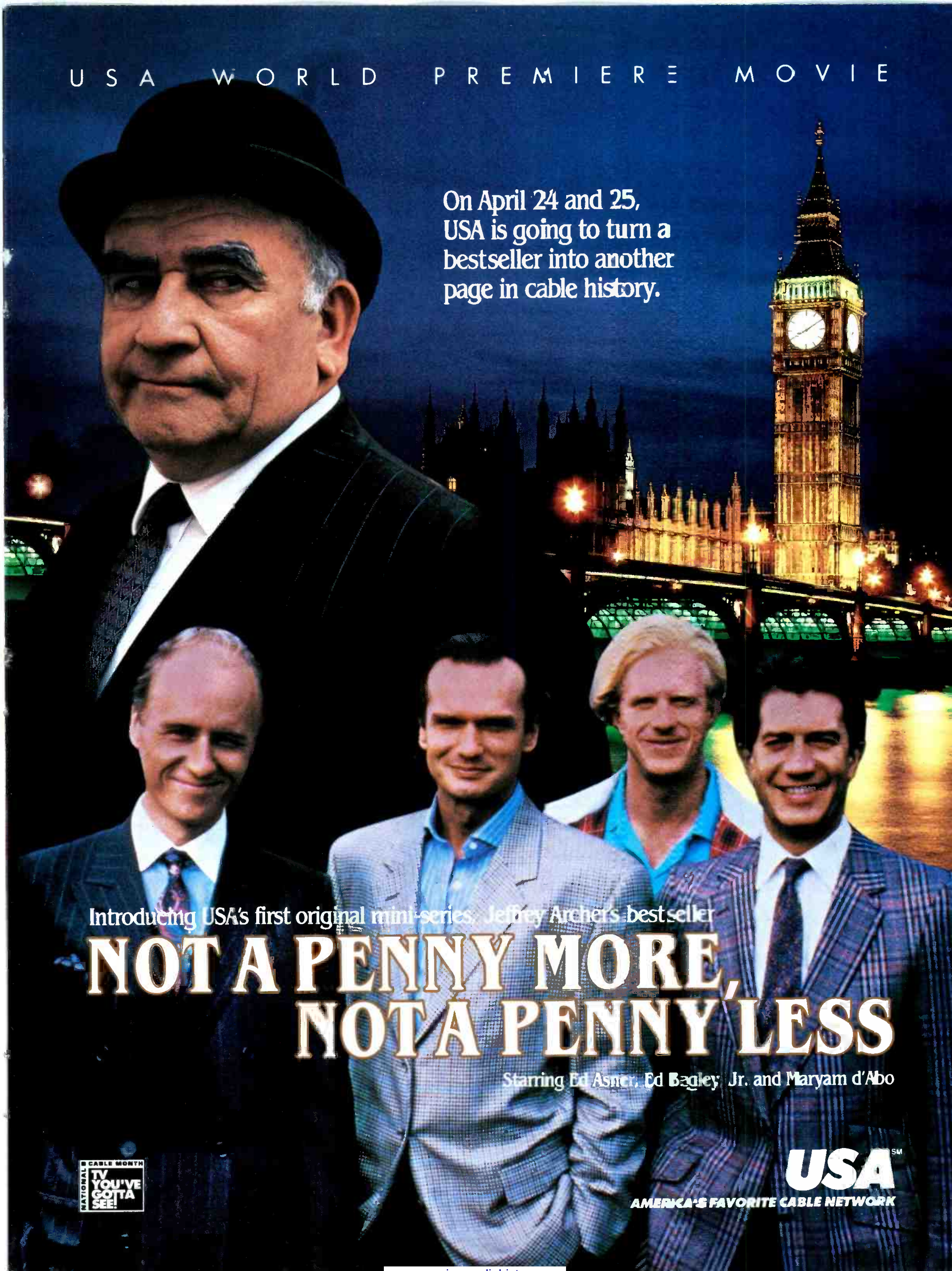
- How to keep the sales pitch creative when demand is high.

The creativity that buyers want usually means the value-added extras that have been one of cable's strongest selling points over the years. Networks have offered, at no extra charge, everything from billboards and in-program IDs to vignettes and quizzes. Upstart CNBC, long on inventory and short on sponsors, calls it aggressive marketing.

"In cable, the restrictions on billboards are more lenient [than at the broadcast networks]," says Art Miller, CNBC's senior vice president of advertising sales. "We offer sponsorships, in-program IDs, special tie-ins, contests and segment sponsorships—all for less of an outlay in dollars."

But to Farrell Reynolds, president of Turner Broadcasting Sales, "value-added is just a euphemism for free, and we're not in that business. We're in the business of giving value that advertisers are willing to pay for." If advertisers want "trinkets and trash," he says, "then we expect to be paid for them."

Segment sponsorships and category exclusives, however, are still plentiful on cable. Reynolds says Bristol-Myers sponsors medical reports on CNN, while AT&T sponsors science and technology reports. Over at ESPN, Quaker State is the exclusive motor oil sponsor


USA WORLD PREMIERE MOVIE
On April 24 and 25, USA is going to turn a bestseller into another page in cable history.
Introducing USA's first original mini-series. Jeffrey Archer's bestseller
NOT A PENNY MORE, NOT A PENNY LESS
Starring Ed Asner, Ed Begley Jr. and Maryam d'Abo
NATIONAL CABLE MONTH
TV YOU'VE GOTTA SEE!
USA
AMERICA'S FAVORITE CABLE NETWORK

in all race car events.

"On the whole, cable networks are more accessible for merchandising, billboards, drop-ins and sponsorships," says Gail Sullivan, vice president and broadcast supervisor at N.W. Ayer. She handles the approximately $8 million budget that AT&T spends on network cable. "We sponsor the *AT&T Movie Night* on TNT, for example, and it rotates every week. We get to pick the movie. And on The Weather Channel we sponsor the international weather segment." Sullivan shies away from the USA Network—for now—because it's loaded with off-network programming. "As they begin to create their own original programming," she says, "then we'll work with them."

But reaching the targeted upscale audiences that AT&T wants from cable isn't as easy as it once was. Laments Sullivan, "We used to be able to buy sponsorships of whole programs on network cable, but no more."

Over at USA, "The time has become much more valuable because of the heavy demand," says John Silvestri, the network's senior vice president for advertising sales. "We no longer give bonus units, or no-charge units, to help a deal." USA, however, has a new department to work on value-added packages and merchandising. "We just have to create the sizzle through another means," he says.

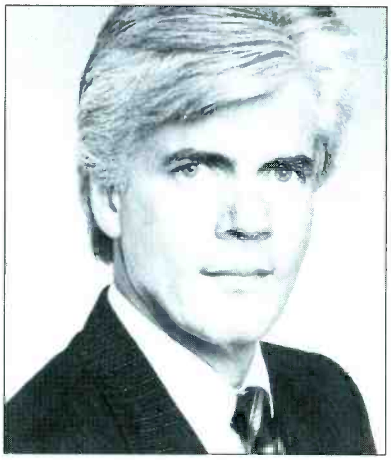
Because they rely on ABC, CBS and NBC for tonnage and network cable for selectivity, agency buyers know exactly what cable programs they want to buy, says Seth Zarkin, vice president for television programming at Campbell-Mithun-Esty. He buys TV time for Minolta (upscale adults 25-54), The Travellers (upper-income adults) and Texaco (men 25-54).

Zarkin puts CNN and ESPN at the top of the list when it comes to aggressiveness. "The Turner people, like Liz Russo, and Tom Hagel at ESPN are real good. . . . They'll come knocking down the door saying, 'This is what we can do for you.' That's the key."

Buying for Minolta, Zarkin loads up on ESPN, A&E and the early rounds of the U.S. Open on USA. Travellers, looking for upscale demographics, buys into CNN and FNN. Texaco is big on motor sports, but can't get on ESPN because of the Quaker State lock on the category. The company has settled for exposure on regional sports channels.

Sullivan, buying for up to seven AT&T services, is beginning to sample CNBC, sponsoring *The International Market Report* and running *The AT&T Business Quiz* as part of a value-added buy. "They're beating a path to our door, offering different ideas, extra exposure," she says.

'Value-added is just a euphemism for free. We're not in that business. If advertisers want trinkets and trash then we expect to be paid for them.'



Farrell Reynolds, Turner Broadcasting Sales.

Zarkin gives network cable an "A" for promotion, but thinks success and adapting more traditional forms of sales promotion has left it vulnerable. "We're seeing the broadcast networks respond to cable's aggressiveness," he says, by coming up with value-added incentives.

Sullivan disagrees. "The networks are too big to be creative," she insists. "If Fox is joined by a fifth network, then maybe the networks will see a threat and become more creative."

Another sign of the changing times, according to AT&T's Doug Ritter, is network cable's lack of flexibility. "Even though the broadcast networks are sold out, they can always find room for new business," he says. "But cable [networks] can't. That's because they haven't had the problem until now, and they just can't accept large chunks of business at the last minute."

Pricing's another gripe. "They've got to go at pricing more intensely," says Robert J. Coen, senior vice president and director of forecasting at McCann-Erickson. "Buyers are more intent on bargains." By selectively cutting prices, suggests Coen, cable networks might have a better shot at capturing non-traditional cable advertisers.

That's a "curious assessment of the landscape" to Lifetime's senior sales vice president Doug McCormick. "It seems to me that when inventory is tight and demand is high, that's a reason to raise rates, not lower them."

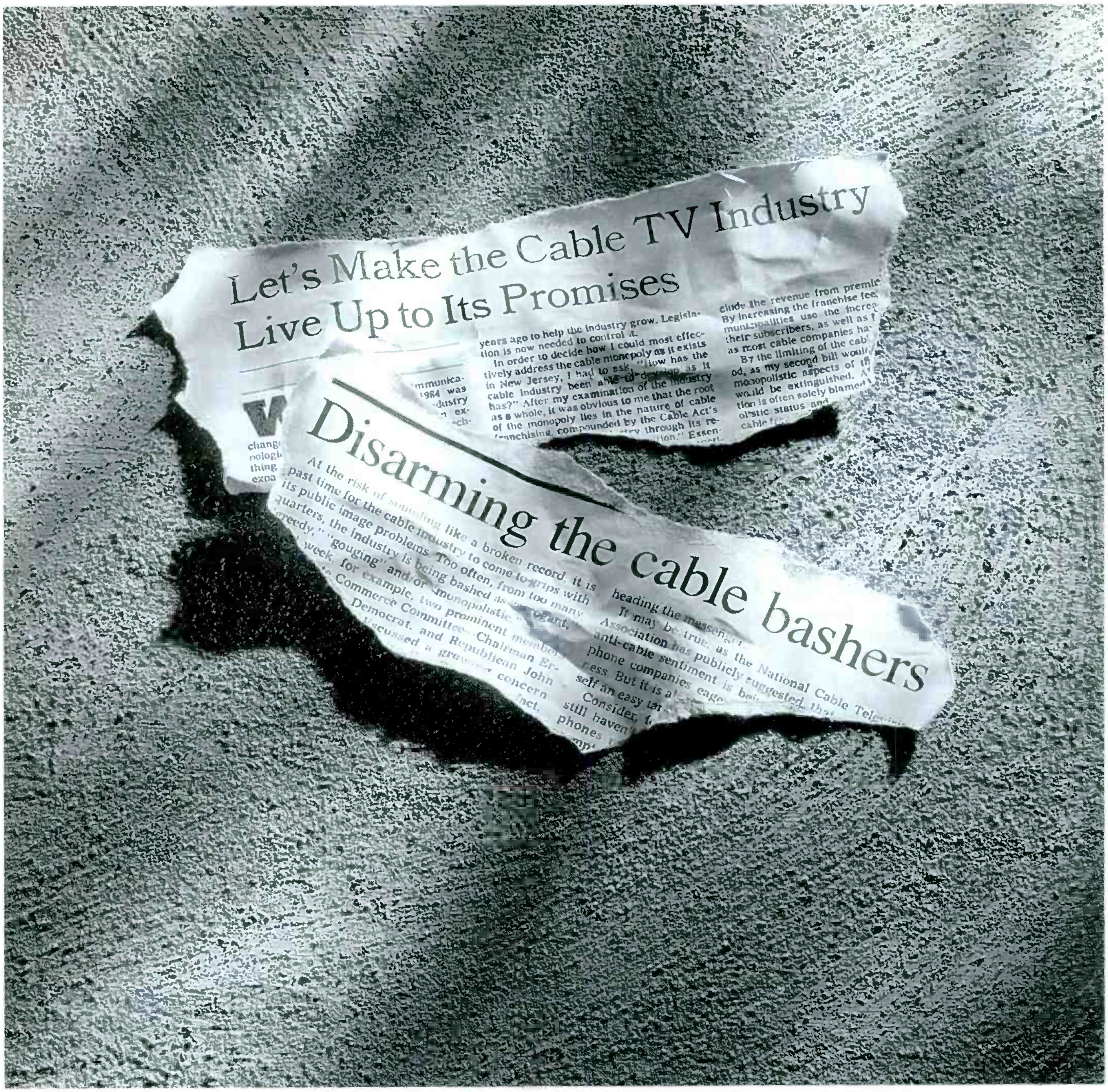
Helping make cable buys more attractive to Madison Avenue is the Cable Ad Bureau's latest research tool: CableCume. It allows media planners to calculate the reach and frequency achieved by specific schedules within different demographic groups using different daypart combinations. A ton of Nielsen data has been reduced to a computer disc and then distributed gratis to agencies.

"We show advertisers that cable can generate substantial reach—equivalent to broadcasting—when used properly," says the CAB's president, Robert Alter. The research seeks to answer a well-worn criticism of cable, that low ratings curtail cable's reach. CableCume, Alter explains, enables agencies to calculate reach and frequency estimates for cable "in seconds. . . . And this gives them a strategic rationale for using cable."

Grey Advertising's Helen Johnston, vice president and director of media analysis, says the agency is incorporating CableCume into its planning systems. "We had no [cable] reach and frequency data before," she notes, "so this is quite useful."

Another major obstacle to advertising parity with the broadcast networks, in Alter's view, is the paperwork. "Each network has developed its own approach" to contracts and invoices. "We have to standardize the paperwork procedure to make it more user friendly for the agencies. This has become our number-one priority." The CAB's "ultimate goal" is to put the whole buy-sell process on electronic mail.

Even though network cable has made giant strides in creating what Alter calls "a more level playing field," the medium still has a way to go to make itself more palatable to advertisers. As for the rap that network cable is becoming complacent, Alter muses, "Maybe it's time we got out the cattle prod." ●



SILENCE THE CRITICS

When cable bashers accuse our industry of being anti-consumer, fight back. Point to CNBC.

CNBC was created to be a champion for consumers. Only CNBC delivers a prime-time lineup that addresses the issues consumers care about most: health, family, finances and buying power.

How can cable be "anti-consumer" when it offers the public the only network dedicated to consumers?

Call Caroline Vanderlip, VP Affiliate Relations, at (201) 585-6425. Isn't it time we talked?

cnbc
Consumer News & Business Channel
WATCH IT. USE IT.

Setting Up Cable Shops

Startups keep time constraints and growth potential in mind when drawing up blueprints.

BY BRET SENFT

Startup cable networks usually have to segue from announcement to launch within an extremely limited time frame: To secure MSO commitments and subscribers, management must set a date and meet it. As a result, technology in the physical plant must be quickly assembled to fit present programming needs, while remaining flexible enough to accommodate change down the road.

The team responsible for CNBC, the NBC- and Cablevision-owned Consumer News and Business Channel cable service, initiated design plans for its studios as early as September 1988. But construction did not begin until December, with a launch date—April 17, 1989—a mere four months away.

"The interesting thing about this place," says CNBC president Michael Eskridge, "is how well it turned out given how quickly it was designed and built. While we were building it, we were simultaneously planning our program schedule, which had a direct impact on our studio and technical requirements."

Attempting to optimize the physical layout, v.p. of technical operations Michael Reitman designed the tape islands in Master Control in an L shape instead of laterally. "If you had laid it out longitudinally, one guy couldn't do it. But here, he can operate six, eight, ten tape machines, no problem," he says. Nearby, empty rack space provides vital expansion room for future program technology. Twenty yards away, an operator can coordinate and record information off-satellite directly to tape, rather than route it to a machine in one of the islands, "an efficiency we've found helpful," says Reitman. Editing rooms line one side of the newsroom, "so that the folks who need to work in them can see into them, and they're convenient to those people."

Initially only one studio was planned for the network. Program needs changed and Studio 2 was built, modified to accommodate an audience. Space requirements at the office center in Fort Lee, N.J., also increased.

CNBC got a head start in equipment via NBC's coverage of the 1988 Summer Olympics. All of its Panasonic M-2 tape machines came directly from Seoul (and are a standard at NBC). The graphics system, specifically designed for sports coverage, includes a Quantel character generator and manipulator, used here for quick generation of up-to-the-minute business charts and graphs.

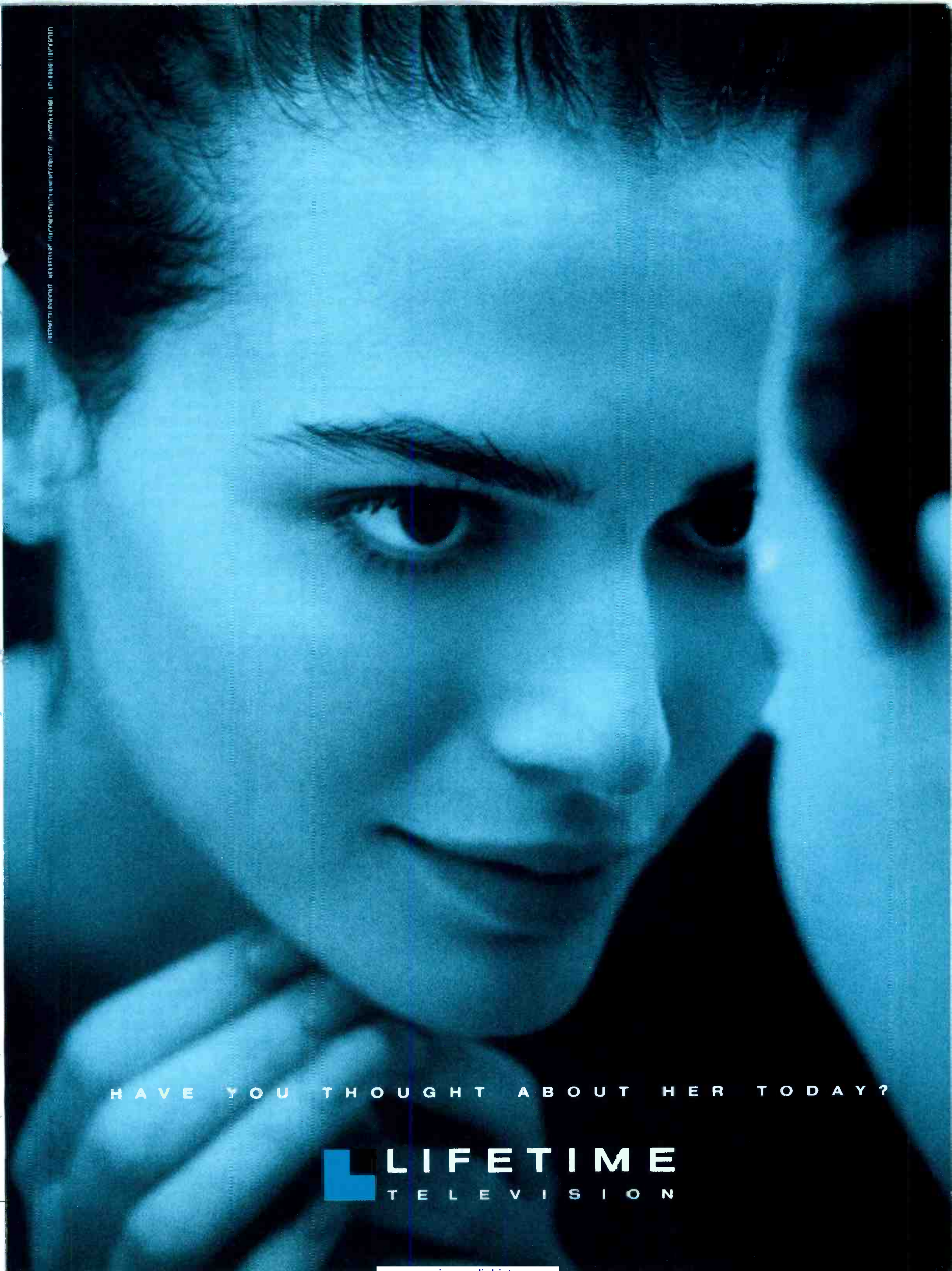
Speed is also key at HBO's Comedy Channel, on air since last November, which went from blueprint to launch in five months. There the crucial component is D2. Comedy Channel's Ampex VPR 300 machines record short studio segments with all the graphics, still store, audio sweetening and digital effects added "live" directly to tape. A digital cart machine at Master Control on Long Island streamlines cassettes through the system and up to the bird.

"It's all basically set up for the fast pace of the Comedy Channel," says Dom Serio, senior v.p. of studio broadcast operations. The fast pace dictated things such as retractable studio walls that open onto the production offices. The electronics for three Ikegami 323 studio cameras also connect to a hand-held Ikegami for spontaneous ambling throughout the "comedy factory." Scripts prepared on Macintoshes flow directly into the Mac-driven TelePrompTer. That day's non-studio segments are postproduced at the network's Manhattan facilities.

As at CNBC, the Comedy Channel's plant was built with expansion in mind. The network benefits from HBO's experience as the cable industry's original satellite programmer. The technology is in place to switch live anywhere in the country—or the world, for that matter. Says one staffer, "I don't know how the jokes are in Uganda—but one day we may find out." ●

Bret Senft is a New York-based freelance writer.

Construction at CNBC's facilities began only four months before the network debuted.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Deevy's Daniels

by Paul Noglows

The star deal-maker prepares to take the Denver-based brokerage into the '90s.

Brian Deevy's on a roll. The cable broker extraordinaire personally handled more than $3.5 billion of the $5.7 billion of cable and mobile communications transactions that industry-leading Daniels & Associates closed in 1989. In December, Deevy, 34, capped a nine-year tenure with Daniels with his appointment as president and chief operating officer. His mandate: position the 36-year-old brokerage and investment banking firm to thrive in the 1990s and beyond.

While Deevy downplays the promotion—he calls it founder Bill Daniels' "way of sharing the spotlight with the team who is running the shop day to day"—he is proud of the record performance he and the firm logged in 1989. "It's been an unbelievable year," Deevy says. "We obviously couldn't be happier, not just about the dollar amount [$5.4 billion of cable brokerage, investment banking and financial advisory services and another $279 million in mobile communications]; we think our total of 100 transactions is equally impressive."

But Deevy, who recently purchased 49 percent of the firm with eight other executives, is not willing to let Daniels rest on its laurels: "We continue to remind everybody in our shop that this is a service business, and the only reason we had a good year was that we were fortunate enough to have some aggressive clients who were successful on some fairly significant transactions." Deevy's goal is to better that performance in the increasingly difficult deal-making environment that lies ahead.

"Clearly the brokerage business is not as easy as it once was," Deevy notes. "The days of getting a listing and just making a few phone calls are pretty much over." He explains: "As the cable industry consolidates, so will there be consolidation in the brokerage business. That consolidation is squeezing some of the smaller brokerage firms out, but we think there is still plenty of brokerage business out there."

The major competitors for that business, says Deevy, are the revenue-starved Wall Street firms. "We see ourselves competing on the brokerage side with a lot of the traditional names, but we see more and more of our competition coming from Wall Street."

Daniels is ready to meet that challenge, insists Deevy. He expects the company to thrive by continuing to focus on the things it does best. "We can compete with Wall Street because we have an advantage," he says. "We're clearly better at the brokerage business. We do a better job. We know the business better and it's our full-time job. The investment banking relationship we have with Salomon has provided us with the financial expertise that you really do need to survive these days. As deals get larger and more complicated, one or two guys working as brokers who just man the phones can't be effective. There's more to the business these days than strapping a book together and putting it on the street."

Brian Deevy: Able to compete with Wall Street.

The Daniels recipe for success: a blend of aggressiveness and creativity in deal-making. "We've been successful in certain transactions by being creative in how to get them done," offers Deevy. "Splitting up Centel was our idea, it was the right idea at the right time and it generated a record price." (Centel Cable's systems, serving 600,000 subscribers in six states, were sold to six separate buyers for an average of $2,500 a subscriber.)

Deevy does not believe concerns like the threat of reregulation will scuttle either the cable TV or cable brokerage industries; Daniels has 117 cable transactions valued at $3.6 billion already in the pipeline for this year. "Reregulation isn't going to be much of a problem if we can get it resolved quickly and move on," Deevy says. "But it doesn't look like it's going to get resolved this year because of the short session of Congress. Because of that, there will be a cloud hanging over the industry until reregulation is settled. . . . We can live with some regulation. Our goal is to get it resolved and provide a better product. If it's going to take two years to get it resolved, that's not going to help anyone."

In the meantime, Daniels will play to its strong suit. "Going forward, we'll continue to develop new business areas, but the cable brokerage business will remain our primary focus," Deevy says. "We're successful in the brokerage business because we are aggressive and creative and we work it pretty hard. We will continue to provide what we think is an effective combination of cable expertise, sales expertise and financial expertise to get the job done." •

Contributing editor Paul Noglows is editor of Media Business.

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Fighting For The Basics Of Cable Sports

ESPN's Roger Werner is making important pitches this spring: to baseball advertisers and Washington regulators.

Few people know the cable sports business better than Roger Werner, the 40-year-old president and CEO of ESPN. Before joining the network in 1982 as vice president, finance, administration and planning, he helped shape the young network's long-term business plan in '80 and '81 while at the management consulting firm McKinsey & Co. Werner has been at ESPN ever since (with a five month detour to the parent company's ABC Television Network in '88), helping shape the network as it grew from reaching just 25 percent of U.S. TV households in '82 to 60 percent today. On the eve of ESPN's important NFL renewal negotiations, Werner discussed the state of his network with Channels' *editors.*

The Bill for Rights

Essentially, all that's happened recently is that the three big networks have traded franchises. Stuff has moved from NBC to CBS, and other stuff has gone from CBS to NBC. It's just upset a kind of equilibrium that had existed. Now everybody is paying twice as much and they're all going to make a lot less money.

When the network prices for the NFL and baseball and basketball go up, they tend to drag our prices right along with them. So the television sports business is not what I would call the most healthy business right now. I think it is going to be a very tough business, and probably a marginal business, in financial terms for some period of time.

New Bids on the Block

The area where we have felt the presence of these new [regional sports] competitors, first and most significantly, has been on the cost side of the business, on the product side. Because regardless of what kind of ratings they get, and regardless of how effectively or ineffectively they sell those eyeballs [to advertisers], the very fact that they show up at the auction as a competitive bidder means that our prices are going to go up. There is absolutely no escaping it. As for ad sales, so far we can't see any impact.

Making Baseball Pay

We have a huge ad sales job to do, to help pay for the baseball deal. In acquiring baseball, we took on almost $100 million a year in cost, and it's likely that baseball will be a loss-leader deal for several years. Nevertheless, to make the loss manageable we have to sell a tremendous amount of advertising and generate a very big increase in sales.

Filling the Gap

Our historic seasonal weakness was always that May-to-September period. Our ratings were always below average at that time of year, and our sales, reflecting the overall state of the viewership, were down. Now, with baseball, we essentially have five or six months of programming, four nights a week, that will probably more than double our prime-time ratings for that whole period of time. So it will have a dramatic effect on our viability as an advertising medium, and make us a much more important service to viewers and to cable operators, who of course will be benefiting on the local ad sales side.

Local Cable's Turn at Bat

In the case of baseball, there were no explicit increases in fees, so it's gravy [for operators]. Essentially, they've got an ESPN with twice the prime-time rating they had last summer. So they ought to more than double their local ESPN ad sales during that period.

We have looked at our pricing for a number of years in the context of local advertising sales, and the operators' performance in that area. Our desire has been to price the service at a level where the operator could effectively see a profit on ESPN on local ad sales alone, and then could impute whatever value he wanted to the service on top of that—retention, acquisition, whatever. Baseball is going to give them a big boost in that direction. If they're not recovering all of the costs now, most operators should be by the time the baseball season is over.

ESPN Abroad

As the television markets are deregulated and as they expand in foreign countries around the world, and as new technology becomes available in those countries, there will be several significant opportunities for services like ESPN—that is, pay television or non-standard television services that are programmed vertically would do a particularly good job of serving one viewer segment. So we have invested in a couple of those. We have a very small piece of a network in New Zealand that will be primarily sports. We have about 25 percent of a service based in Great Britain called Screen Sport, which is all sports—it essentially looks like ESPN.

PHOTOGRAPHS BY ANDREW FRENCH

And we are in the process of launching a service in Japan, called the Japan Sports Channel—working title. That, we hope, will someday serve cable subscribers and backyard dish owners and SMATV complexes throughout Japan and perhaps throughout Southeast Asia.

Staying the Same, Basically

We believe in the inherent efficiency and the inherent value to the consumer of packaging and distributing product the way we do it, and the way HBO does it, and the way CNN does it—essentially, running a high-volume, relatively low-cost production operation that can balance the high-cost rights with the low-cost rights, and produce a bundle of stuff at tremendous value, and produce it at a pretty low cost per hour. We think that's the best way to deliver the product to the consumer.

It's safe to say we look at pay-per-view as an ancillary business and one we would approach opportunistically. It really remains to be seen what, if anything, consumers will willingly pay for on a pay-per-view basis, after they've had a chance to experiment with the technology and after the novelty has worn off. There are certain applications for it, don't get me wrong. But I don't see it as a replacement for the kind of distribution that we provide in the sports business.

The Ball's in Washington's Court

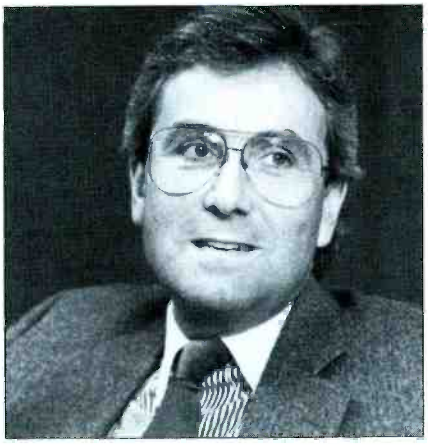
[Sports] has gotten a lot of attention [in Washington] primarily because the INTV spent a lot of time and money trying to create an issue there. Most of what they said, most of their position, was essentially rubbish. There was no factual evidence to support any of the claims they made about sports being siphoned from free TV, or cable developing monopolies on sports. . . . We can't find any quantitative evidence or even anecdotal evidence to support the conclusion that national cable is somehow competing unfairly with broadcast and causing viewers a loss of viewing opportunities. It just is not right. It's completely incorrect.

So there has been a lot of sound and fury. But I would argue that it signifies nothing, and that regulators, when confronted with the facts, will do nothing—because nothing needs to be done.

The Price of Reregulation

Any regulation that would make it impossible or very difficult for a cable operator to pass through the cost of improving programming would be very bad regulation indeed. It would be regulation that could put companies like ours really at risk of extinction over the long haul. We lived in that kind of environment in the early '80s, where we were trying desperately to improve the quality of what we were doing, but we had very little opportunity to pass through the cost. The operator just had no way to recapture it. And that was not a pleasant environment to live in.

'Television sports is not the most healthy business right now. It is going to be a very tough and probably a marginal business, in financial terms, for some period of time.'



Expanding the ESPN Franchise

Home video is a business where we think our trademark has some meaning to consumers. We have launched a national catalogue retailing business—as well as being in the business of producing the titles ourselves, we are acting as a national merchandising medium for other producers. It's a $4 million to $5 million a year business for us right now, but it is growing.

We have tried over the last few years to exploit our trademark in other businesses less closely related, the apparel business being one. So far, [our] experience with those is that they've been kind of a long walk for a short drink. . . . We've tried a number of things, none of which worked too well. We even had a foray into the print business last year with a monthly publication called *TV Sports*, which was essentially a Sunday supplement. That did not meet our advertising expectations, so after about six months we suspended publication.

The Myth of Synergy

We have very little interaction with ABC Sports. The only significant interaction is several times a year, when we coproduce an event—we do the Indy qualifying, they do the Indy 500. It's that kind of thing. We don't see any real synergy in trying to organize or rationalize the ad sales effort. We all have our independent advertiser relationships. We have independent incumbencies in different programming.

Negotiations [for sports rights] are typically conducted separately. So we compare notes, but knowing why someone did something and what the outcome was two weeks ago generally has very little to do with my concerns, which are what Ted Turner is likely to bid two weeks from now on a different package of games.

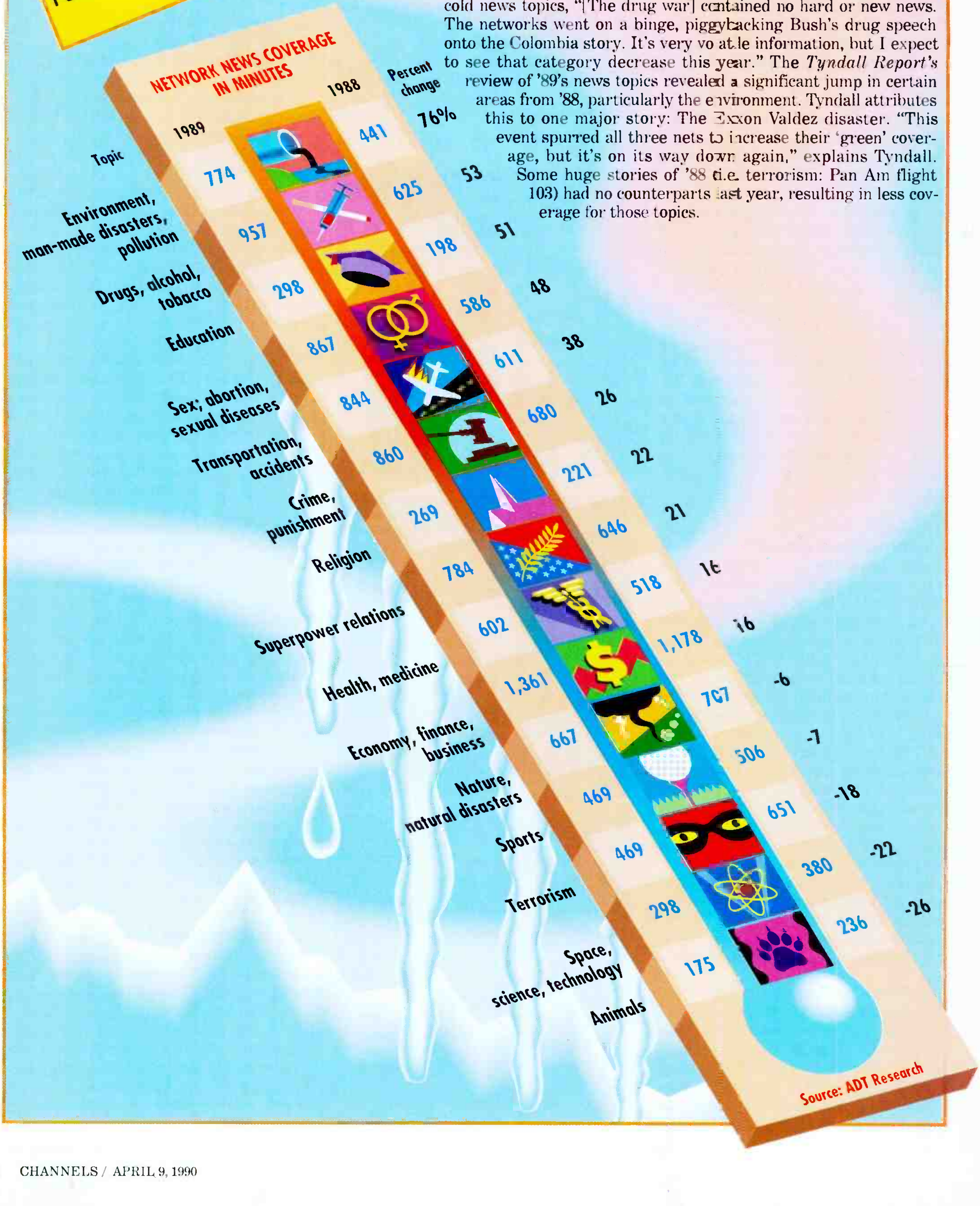
Crocodile Tiers?

Interestingly, in our case the call for tiering and the interest in tiering has been expressed most strongly—in fact, it's really been expressed exclusively—by Cablevision and TCI, both of whom own competing national sports services now. So there may be some posturing in it, I don't know. There may be other competitive agendas at work. •

RUNNING THE NUMBERS

Hot News, Cold Flashes

News coverage invariably reflects the issues and fads of the day—or is the public agenda set by news coverage? According to Andrew Tyndall, publisher of the monthly newsletter the *Tyndall Report*, which conducts an annual review of hot and cold news topics, "[The drug war] contained no hard or new news. The networks went on a binge, piggybacking Bush's drug speech onto the Colombia story. It's very volatile information, but I expect to see that category decrease this year." The *Tyndall Report's* review of '89's news topics revealed a significant jump in certain areas from '88, particularly the environment. Tyndall attributes this to one major story: The Exxon Valdez disaster. "This event spurred all three nets to increase their 'green' coverage, but it's on its way down again," explains Tyndall. Some huge stories of '88 (i.e. terrorism: Pan Am flight 103) had no counterparts last year, resulting in less coverage for those topics.



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