Dark Days for Hispanic Television

Not-the-usual Suspects Talk Pay TV

CHANNELS

JULY 16, 1990 THE BUSINESS OF COMMUNICATIONS $5.00

MAKE-OVER ARTISTS

A blow-by-blow account of how a new team turned a stagnant cable net called Movietime into E!

The E! crew (from left): Fran Shea, Lee Masters, Sheri Herman.

Point them in a different direction.

At one time all pay services were alike. Subscribers saw the same movies everywhere they looked. Then
running, SHOWTIME has presented more exclusive movies than HBO.[1] That means more options for your
you. So, if increasing pay units is your inclination, direct your attention to SHOWTIME. We've got the

1 Average non-duplicated titles, 3/88-3/90, THE PAY TV NEWSLETTER/April 24, 1990, Paul Kagan Assoc., Inc., Carmel, Ca.


Parenthood, another SHOWTIME exclusive.

CHANNELS

THE BUSINESS OF COMMUNICATIONS

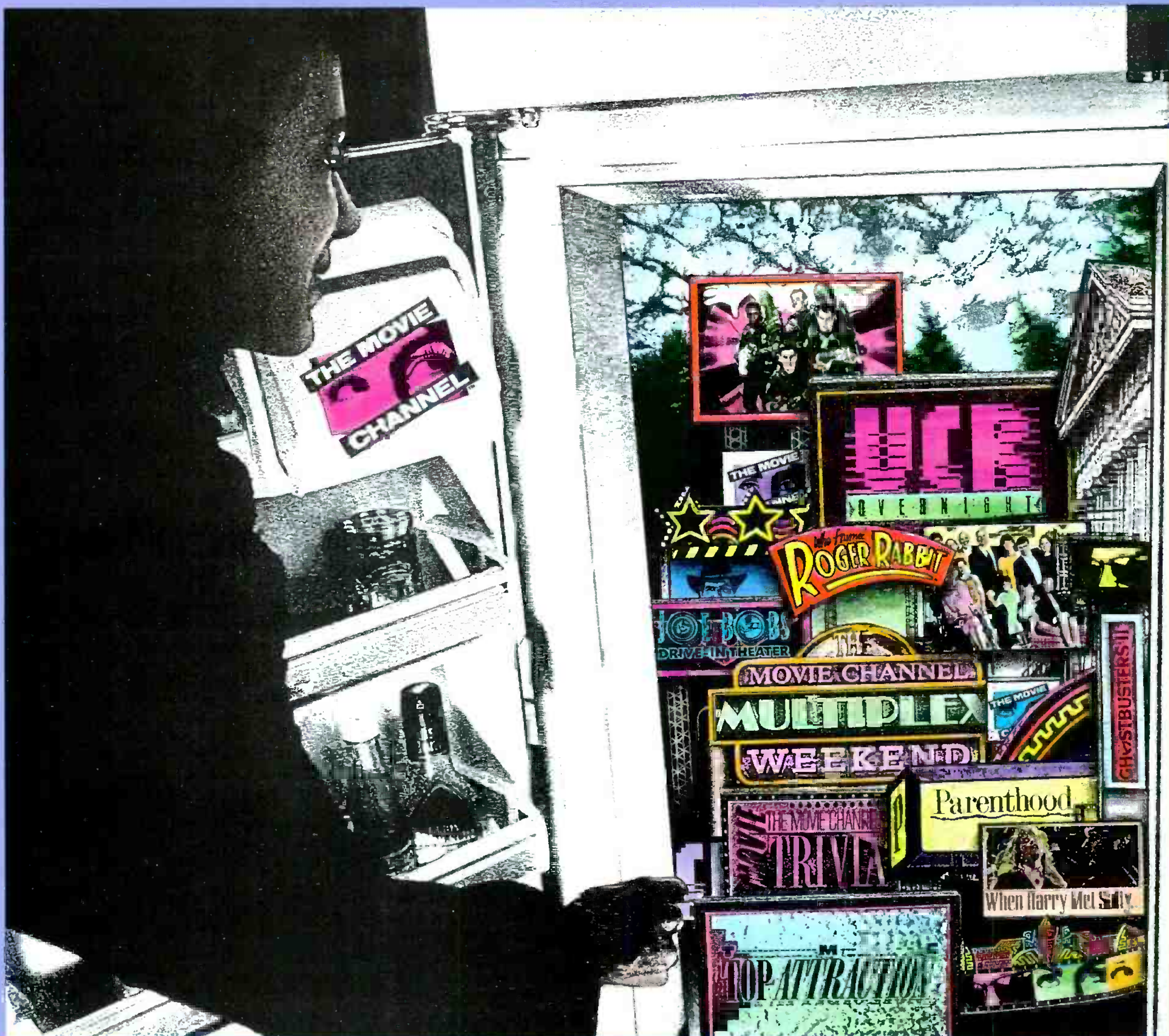
VOLUME 10, NUMBER 10 JULY 16, 1990

FEATURES

OPERATIONS

DEPARTMENTS

COVER PHOTOGRAPH BY AMY ETRA



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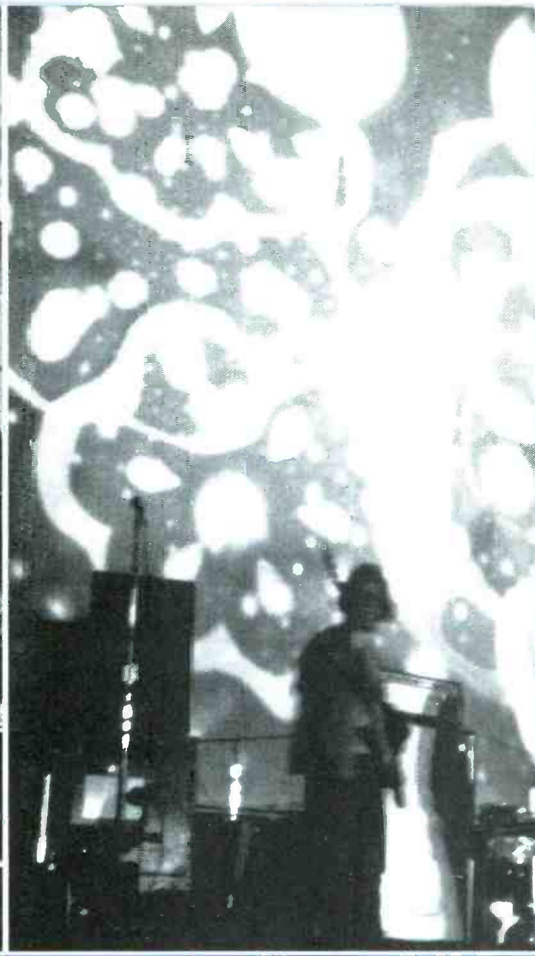

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THE LARGEST COMMITMENT TO ORIGINAL PROGRAMMING IN BASIC CABLE CONTINUES.
SWAMP THING
THE SERIES
TM & © DC Comics 1990
Premiering July 27
USA
AMERICA'S FAVORITE CABLE NETWORK

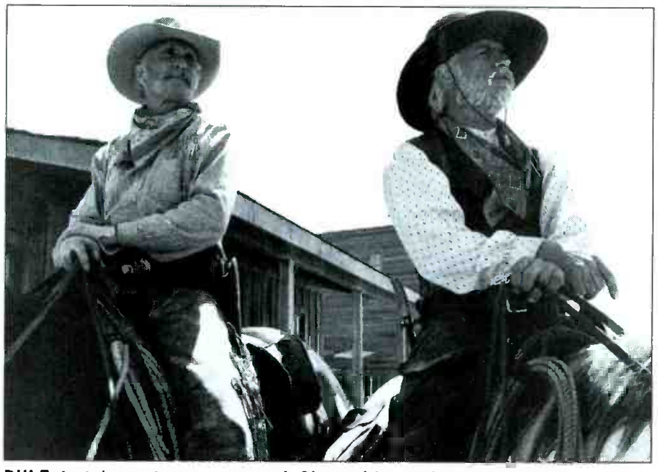
New Line's New Dream Is Television

Freddy Krueger's friends buy into RHI Ent.

The success of the film *Teenage Mutant Ninja Turtles* gave New Line Cinema Corp. the money and status it needed for a splashy entrance into TV. Instead, New Line, best known for its *Nightmare on Elm Street* movies, spent a modest $7.5 million for an interest in a respected producer of miniseries and made-for-TV movies—a company that also happens to own a library ripe for syndication.

New Line purchased roughly 20 percent of RHI Entertainment Inc., formed by TV producer Robert Halmi and his son to regain control of Robert Halmi Co., acquired in 1988 by Qintex Entertainment. Qintex declared bankruptcy last October. RHI last month struck a deal to buy all Qintex's assets except two TV stations, for $42.4 million, and will syndicate all former Qintex products.

The Qintex library is composed of the Halmis' miniseries and movies of the week, as well as the Hal Roach Studio library: 1,000 silents and shorts and 13 features. Recent Qintex titles include several with tremendous syndication potential, notably the miniseries *Lonesome Dove*.



RHI Entertainment now owns such Qintex titles as *Lonesome Dove*.

New Line's deal gives it the option of entering TV as both a syndicator and producer. But first, the company wants time to scrutinize the market, according to spokesman Joseph Jaffoni. New Line's agreement with RHI gives it the opportunity to increase its stake in the TV production company during the next three to five years; New Line could even take a controlling interest.

The careful hedging is typical of New Line founder and president, Robert Shaye. "One reason this company is particularly attractive is that it has a coherent strategy, it sticks to its knitting and it's conservative," says Christopher Dixon, an entertainment industry analyst for Kidder Peabody. "New Line needs to expand its base, and TV is the fastest-growing sector, considering syndicated production and TV sales in Europe. This deal gets them into that sector in keeping with that conservative approach."

CHERYL HEUTON

Keeping Track Of Trucks

A new technology cuts cable repair time.

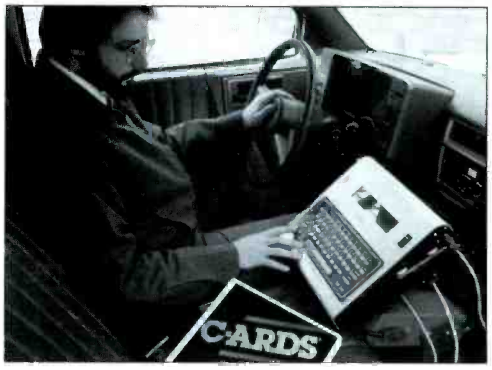
The dispatcher at Cox Cable of Cleveland doesn't have to wait for his technicians to get on their truck radios to direct them to the next install or repair. Using the C-ARDS computer system, marketed by CNG Energy Company, a subsidiary of Consolidated Natural Gas Company, the dispatcher radios the next order to a mobile data terminal in the truck. When the technician gets back, he knows where to go next.

"It saves my dispatcher a lot of time," says Vince DiGennaro, technical support representative for Cox, so far the only cable system to invest in the C-ARDS system, although CGN marketing specialist Dennis Giancola expects another sale next month. "With one stroke of a key, he can find out where his entire staff is and pick the person closest to that job."

Although C-ARDS, developed by The East Ohio Gas Company, a Cleveland-based CNG subsidiary, has been promoted as a time and money saver, DiGennaro says Cox bought it mainly to keep subscribers happy: "You can get into the saving time and saving truck rolls theory, but we're into it for customer service and customer relations."

One of C-ARDS' chief selling points, and one that helps customer-service representatives better deal with subscriber problems, is its real-time interface with the cable operator's billing system. DiGennaro offers this example: A technician on a call determines a subscriber's bad reception is due to a faulty tuner in the TV. He goes to his truck and punches this information into the C-ARDS terminal. When the unsatisfied sub phones Cox again that afternoon, the repair representative calls the file up on a computer and tells the sub that the problem is in his set, not the cable hookup. "It's positive reinforcement," says DiGennaro. "We don't have to tell the customer to hold on and try to track down the technician to find out what the problem is."

C-ARDS costs $80,000 for the central system and $2,300 for each truck terminal (Cox has 35 trucks). DiGennaro is happy with the system, but says it still has a few bugs. For example, one C-ARDS feature automatically calls the next home a repairman is scheduled to visit, playing a recorded message that someone is on the way. If no one answers, it notifies the technician to skip that stop. However, the system can't distinguish answering machines and disconnected numbers from a live voice, and sometimes sends the technician to an empty house. CNG is trying to fix the glitch.



The C-ARDS system saves cable technicians time and trouble. Now it just has to figure out how answering machines work.

RICHARD KATZ

Fin-syn
is not
the networks'
#1 problem...

This is.

Scary, isn't it?

Rock Of Ages

BY RICHARD KATZ

JULY 5-SEPTEMBER 15: Attention old-time rock 'n' roll fanatics—want to see the first **Beatles** appearances on ***The Ed Sullivan Show***, **John Lennon** and **Yoko Ono** co-hosting a week of ***The Mike Douglas Show*** in 1972 and tons more? Make sure you hit the new exhibit at Chicago's **Museum of Broadcast Communications**, "Rock 'n' roll on Television." On September 11, as part of the exhibit, the museum hosts "An Evening with **Robert Pittman**." Pittman, who revolutionized televised rock with his creation of **MTV**, is currently president and CEO of **Time Warner Enterprises**.

•

JULY 15-18: The **Cable Television Administration and Marketing Society** cruises into San Diego for its annual conference. Attendees this year have four thematic tracks to choose from. The "Base Business" track, which includes a "state of the industry" presentation by **CNN**'s **Bernard Shaw**, concerns the decline in basic and pay cable growth and features panel appearances by **Showtime** chairman and CEO **Tony Cox** and **HBO** chairman and CEO **Michael Fuchs**. "New Business" explores DBS, pay-per-view and international development. "Human Resources" looks at the changing cable work force, and "Service Management" provides participants with evidence that the quality of customer service has a direct correlation to the operator's bottom line.

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JULY 19: As athletes from around the globe converge on Seattle for **Turner Broadcasting System**'s **Goodwill Games**, one local TV station is running a promotion in conjunction with a local retailer and **Eastman Kodak** that will send a little piece of the Pacific Northwest home with each of the visiting teams. For the past five weeks, **Bonneville International**'s **KIRO-TV**, a **CBS** affiliate, has been running spots starring Washington governor **Booth Gardner** urging viewers to bring their best photos of the Pacific Northwest to local **Pay 'n Save** stores to create the world's largest photo album. During today's opening ceremonies, Gov. Gardner will be presented with the album. In addition, a three-minute vignette of the 100 best photos will be aired on TBS and dubbed onto videotapes given to each participating country to take home. Atlanta-based public relations firm **Cohn & Wolfe** designed the promotion for Kodak. "Of course they wanted hundreds of thousands of dollars worth of airtime and they had 50 grand to spend," says **John Steckler**, local sales manager for KIRO, "so we brought in the local retailer to help defer the cost and be assured of having enough locations, 41 Pay 'n Save stores, to get the photos in."

•

JULY 26: Diane Weingart, vice president of affiliate marketing for **USA Network**, brings her traveling road show, known as the USA Network Local Ad Sales/Marketing Seminar, to the Marriott Research Triangle Park in Morrisville, N.C. The seminars, which Weingart has been conducting since 1985, are designed to help USA affiliates sell local inventory more effectively. Weingart's approach this year is geared to help affiliates sell what have traditionally been local cable's hard-to-get categories. Fast-food franchises, department stores and, in many cases, supermarkets and drug store chains are typically big-budget advertisers that spend their money on broadcast. "You just can't expect the local retailer to keep doubling and tripling his advertising budget," says Weingart. "The growth has to come from broadening and widening the categories and the advertising base each system has."

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

JULY CALENDAR

July 18-19: Wisconsin Broadcasters Association annual summer convention. Landmark Resort, Egg Harbor, Wis. Contact: John Laabs, (608) 255-2600.

July 22-27: NAB 1990 Management Development Seminar for Television Executives, sponsored by the National Association of Broadcasters and the J.L. Kellog Graduate School of Management at Northwestern University. Northwestern's Evanston, Ill., campus. Contact: Carolyn Wilkens, (202) 429-5366.

July 26-28: Louisiana Association of Broadcasters radio and television management session. Hyatt Regency, New Orleans. Contact: Louise Lowman, (504) 383-7486.

July 29-August 1: 1990 New England Cable Television Association annual convention and exhibition. Newport Marriott and Sheraton Islander Hotels, Newport, R.I. Contact: William Durand, (617) 843-3418.

August 1-5: National Association of Black Journalists 15th annual convention. Century Plaza Hotel, Los Angeles. Contact: Carl Morris, (703) 648-1270.

August 2-4: Michigan Association of Broadcasters annual convention and awards banquet. Shanty Creek, Bellaire, Mich. Contact: Karole White, (517) 484-7444.

August 11-13: Georgia Association of Broadcasters annual convention. Jekyll Island, Ga. Contact: Bill Sanders, (404) 993-2200.

Is Local Advertising Becoming an Issue After Issue?

Winning over local newspaper advertisers can be an important new source of revenue for your television station. The Local Multimedia Report is a new tool to help you target newspaper advertising dollars and move them into television.

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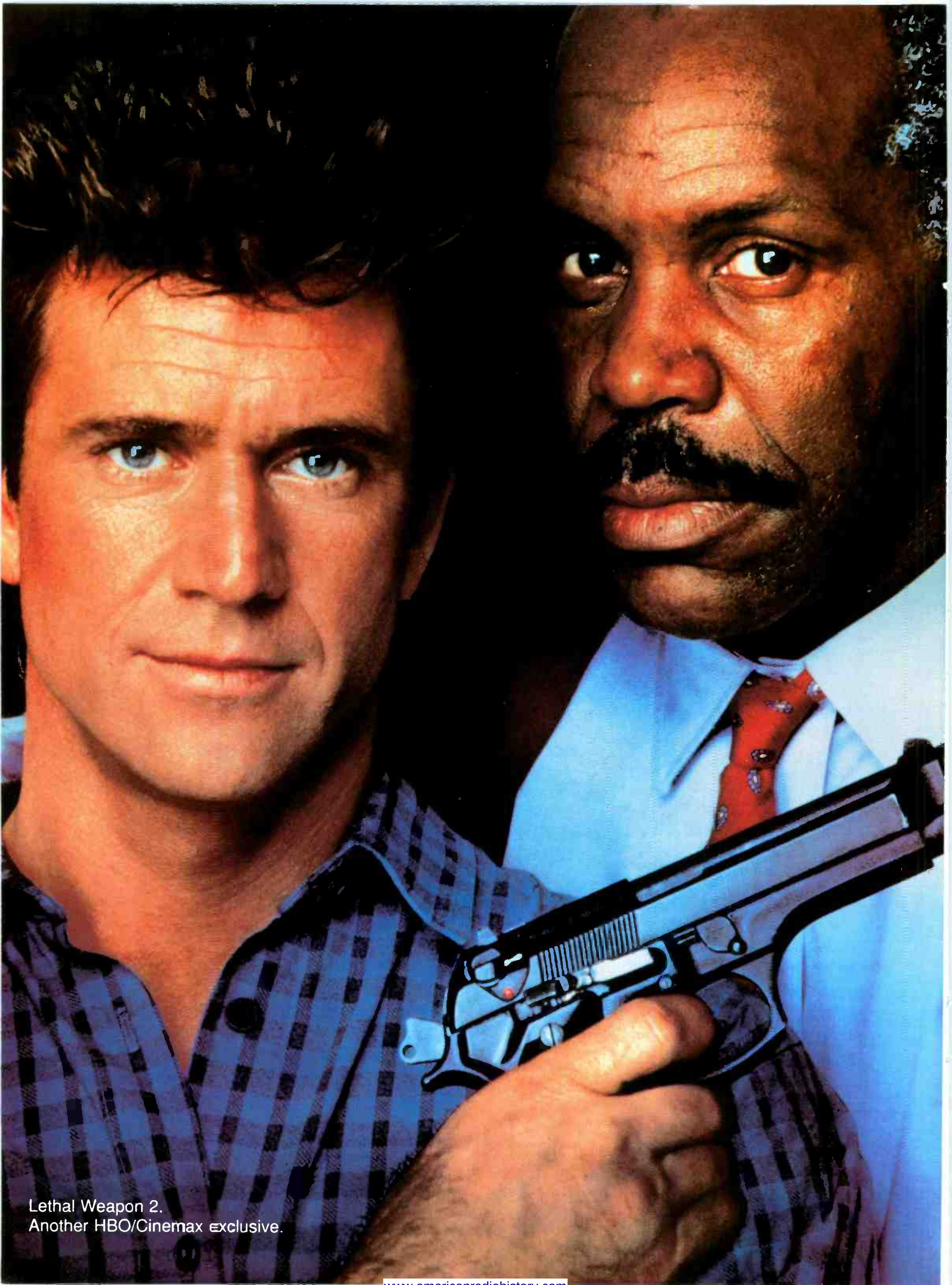
The Local Multimedia Report is just one more example of the Arbitron commitment to the business of local market television. So when you want local market tools that solve local market problems, turn to the champion who's been at it since 1949. Contact your local Arbitron representative for answers to the issues.

ARBITRON
The Local Market Champion



Sweeping Stunts

How a San Francisco indie makes mischief with ratings by getting out the "vote."

BY MICHAEL COUZENS

My sweeps were here and Jim Gabbert was at it again. The aceric owner-operator (and station editorial writer and dance-party host) of San Francisco independent KOFY rolled out a new line of 15-second house advertorials. In one, a woman stands beside an open binder on the counter and speaks into the telephone: "... Well, because I want them to win. We watch TV-20 all the time, so I want to help them be number one. Hey, I've got an idea. You can help them too. Just write down, 'KOFY TV-20.' " An announcer then intones, "Help KOFY TV-20 win. Remember, vote for KOFY." His words are underscored with a graphic reading: "WRITE IT DOWN."

Obviously Gabbert enjoys giving the ratings process a tweak. "Back when I owned KIOI [FM, San Francisco], from 1957 to 1980, I got a sticker [from Arbitron denoting a ratings distortion] on the front cover of every book." For KOFY, he wanted to try something "as close to the edge as you can get." So Gabbert asked a vice president at Arbitron to tell him the sweeps buzzwords. He learned that stations could note that a "sweep" period is under way and could use the term "vote." That wouldn't be considered "distortion," and would not trigger a negative comment on page three of the ratings book. Yet heaven forbid any station should mention such terms as "diary" or "rating" or make a direct appeal to the ratings panel members.

Evidently Gabbert saw in this fine distinction a sly opportunity to stay in bounds while at the same time exhorting people to vote with their feelings and not necessarily by their actual viewing. In the process, he, like Nielsen itself, has blurred the line of objectivity. "We thought of doing a whole, huge campaign for the November sweep," he says, "with a broom shown sweeping out the old programming." By May, he had progressed only to the get-out-the-vote spots: "Remember, vote for KOFY."

Has it helped the station's ratings share? Impossible, maintains Roy Anderson, executive vice president of the Nielsen Station Index, which operates its own panel of diary-keepers for local sweeps that competes, very effectively, with Arbitron. Anderson explains that the San Francisco Bay area is a locally metered market, where the overall estimates of homes using television, and the ratings and shares of programs and stations, are determined by passive set meters. In the metered household, no one writes down KOFY—or any viewing. During a sweep month, the 3,000 or so diaries sent out by the two services are only used to supplement the metered viewing, providing a breakdown of the age and sex of the programs' audiences.

> **Though KOFY's Jim Gabbert likes giving the ratings rules a tweak, there are some words even he won't say on TV.**

Anderson says that campaigns like KOFY's still can garner a disciplinary listing, if another station writes in to complain. Gabbert's new mini-campaign did prompt an inquiry from a competitor, but Anderson says Nielsen investigated it and discussed it with that local client. Since KOFY had not specifically mentioned diary households, Nielsen or Arbitron, the station was satisfied that a complaint was not warranted. "This one fell in that gray area," Anderson says. "They don't really come out and mention the diary. More often, when we get a complaint, the station actually asks somebody to make a diary entry."

Unless television moves to year-round measurement, as in radio, a certain amount of stunting during sweeps is inevitable; it will affect program choices before, during and after. Nielsen says that the frequency of complaints has not changed in the past two years, although some contests and promotions mounted for the sweeps do anger competitors and trigger complaints.

For its part, Nielsen takes responsibility for reporting actual distortion, yet it also approaches a gray area by asking people to vote what they like rather than simply register what they view. In May the initial contact with a diary household was a postcard from Nielsen Television Research that asserted, "The survey will give you the chance to express your views about television programming to the executives who plan TV programs." Diaries come with a crisp dollar bill and a letter that begins, "Please accept the enclosed money as a token of our appreciation. You may wish to use it to brighten the day of a child you know. However, the real reward for making Diary entries is getting more of the TV programs you like to watch."

Nielsen's mailings to panel members adopt this tack, Anderson says, "to get the person interested enough that they actually will fill out the diary and return it." But by planting the idea that the diary-keeper has a certain power, might Nielsen be encouraging panel members to mix a report of their beliefs into a report of their actions? Anderson denies that this is a problem, and this confident assumption may explain why Gabbert's spots pass muster. Nielsen must assume that an exhortation to vote, whether by Gabbert or by Nielsen, is an exhortation to vote truthfully.

Gabbert enjoys pushing that envelope, and comparing his own approach to those of other broadcasters leaves him with few qualms. On a recent trip to Los Angeles, he viewed the mother lode of sweep stunting from his hotel room. "How to get laid," reports Gabbert, only mildly caricaturing what he saw. "How to double your breast size. News at 11." •

Michael Couzens is a freelance writer based in San Francisco.

All Long-Running Sitcom Strips Have One Thing In Common...

GREAT W

"Critics praised the witty writing."

Electronic Media, June 25, 1990

THANK YOU TO THE CRITICS IN THE
ELECTRONIC MEDIA CRITICS' POLL FOR SELECTING
"MURPHY BROWN" AS THE BEST SERIES.

•

AND THANK YOU TO ALL OF THE OTHER CRITICS WHO
HAVE GIVEN US SUCH KIND WORDS OF PRAISE...

"The sitcom doesn't get any better than this... 'Murphy Brown' has evolved from a clearly promising idea, developed by Diane English, into a landmark series. The casting is inspired. Barnet Kellman's direction has become a master course in comic timing. And the scripts can be simultaneously, thoughtful and hilarious. In short, everything comes together with uncanny precision..."

JOHN J. O'CONNOR, NEW YORK TIMES, NOVEMBER 27, 1989

"'Murphy Brown' has become indispensable. Monday night would seem empty without it. In terms of writing, direction, and acting, it's sterling craftmanship."

TOM SHALES, WASHINGTON POST, SEPTEMBER 21, 1989

"A season in which its acting and writing jumped from very good to just about the best in TV comedy...'Murphy' is now required viewing."

ENTERTAINMENT WEEKLY, MAY 18, 1990

AVAILABLE FALL '92.

RITING!

Already Bought By 34 Stations.

"Cheers to the supporting cast of CBS's 'Murphy Brown.' The show is undeniably a great comic vehicle for star Candice Bergen, but it's the rest of the cast that constantly keeps us in stitches. Grant Shaud (Miles), Faith Ford (Corky), Charles Kimbrough (Jim), Robert Pastorelli (Eldin), Joe Regalbuto (Frank), and Pat Corley (Phil) form one of the funniest ensembles in sitcom history."

TV GUIDE, JANUARY 6, 1990

"Each network that has come back from ratings failure in recent years has done so by building on a trademark show — the kind of series that epitomizes the quality of programming it wants to be known for. With NBC, it was 'Hill Street Blues.' With ABC, it was 'Moonlighting.' 'Murphy Brown' is the now and future hope of CBS — a trademark show that any network would be proud of."

RICK DU BROW, LOS ANGELES TIMES, JANUARY 13, 1990

A SHUKOVSKY/ENGLISH PRODUCTION

MURPHY BROWN

WARNER BROS.
DOMESTIC TELEVISION
DISTRIBUTION
A Time Warner Company

Satisfaction Guaranteed?

A controversial sales concept stole the show at TvB's first-ever video conference.

BY AL JAFFE

It was the first sales-training conference the Television Bureau of Advertising had ever mounted via satellite, and it threw off some unexpected sparks that continue to burn.

The February 20 transmission elicited more pros than cons from the 200-odd TV stations in the U.S. and Canada that paid $500 to $1,500 to pick it up. The unexpected part emerged from the unscheduled introduction of the controversial issue of "guaranteed results" by Don Beveridge, president of Beveridge Business Systems and one of the three sales trainers who appeared front and center in the four-and-a-half hour video conference.

Ironically, Beveridge, who admits to having a compulsion about guaranteed results, intended to duck the issue in the video conference, feeling it wasn't proper to skew the thrust of TvB's pioneering effort. But it came up anyway in the question-and-answer portion of the two-way transmission.

To Beveridge, guaranteed results mean just that—the TV station guarantees the advertiser specific results, on pain of give-backs. In its most sophisticated form, the guarantees would apply to the client's level of product sales, as opposed to, say, some agreed-on audience level.

Guaranteed results is a controversial concept to many station salespeople, who feel the risks of marketing should be borne by the marketer. At least two stations, however, saw enough merit in the idea to give it a try.

Howard Zeiden, vice president of sales and marketing for WMAR-TV Baltimore, was initially among the skeptics. He challenged Beveridge to win his station's sales staff over. Beveridge accepted the challenge and paid a visit to the NBC affiliate on April 23.

At the outset, Beveridge made clear that a station salesperson can't just breeze into a client's office waving a guarantee. Recalls Zeiden, "He talked about a comprehensive partnership and an in-depth needs analysis. The client must be honest and so must the station. Also, the client must know what he wants and must set realistic goals." The people at WMAR were convinced enough to talk to a client about a guarantee.

Beveridge's ground rules suggest that it takes a major-market station with considerable resources and marketing know-how to pull off a guaranteed sales commitment. Nevertheless, KCOY-TV in Santa Barbara-Santa Maria-San Luis Obispo, Calif., certainly not one of the big boys, decided to make a college try. First, the CBS affiliate tested the idea on three accounts, each one representing a different industry category. Getting a positive response, the station then hired a marketing consultant to work out the details.

Don Beveridge won the WMAR staff over.

Setting up a proposal, explains KCOY general sales manager Cliff Williams, turned out to be not so simple. For one thing, the consultant had no experience selling TV time. Also, admits Williams, "We learned by making mistakes." Among the mistakes were the early assumptions that the station would be guaranteeing willy-nilly such results as specific product sales, foot traffic, or gross retail revenue. "That would make us responsible for the store's reputation," Williams points out, as well as other aspects of the client's operation over which the station has no control.

So KCOY settled on starting with some guarantee of gross audience reach. A "second tier" type of guarantee would involve actual retail sales, providing the station could supervise marketing, including sales training. While second-tier details are being worked out, KCOY is treading water.

Even if the guaranteed results concept doesn't catch fire with stations, TvB's first video conference has already proved its financial worth. For most participants, the conference, which also featured Dave Schmidt of Management Development Associates and Beveridge's son and partner Dirk, was a godsend budgetwise. Cost efficiency was the whole reason for using video: Smaller stations find sending sales troops and/or sales management to an out-of-town training event a heavy financial burden even before computing the cost of lost selling time.

The replaying and dubbing possibilities inherent in the video conference were not lost on the subscribing stations, another reason it was widely applauded. Because of the pluses noted above, TvB, obviously pleased, intends to present not one but two video conferences next year. Barbara Ann Zeiger, TvB's senior vice president/marketing services, who supervises the bureau's sales-training activities, says the 1991 events will likely be more applications-oriented and more hands-on. •

Al Jaffe is a New York-based freelance writer who specializes in TV sales.

How to bank on the best advertisers in town.

Begin by attracting the best audience in town—A&E's. With more affluent viewers than any other cable network, A&E is the drawing card for all kinds of local advertisers. Especially highly desirable categories like banking and financial services.

Financial advertisers want the professional/managerial men who watch A&E's first-rate documentaries in record numbers. And the educated working women who tune in to A&E's high-quality drama and performing arts programming. They're also looking for those hard-to-reach young professionals who watch A&E's exciting comedy lineup.

But we don't stop at delivering the kind of audience local advertisers want to reach. We'll provide you with creative new packaging, promotion and prospecting ideas. All the things you need to take it to the bank.

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Mark Mersky
Director,
Local Advertising Sales
at
A&E®
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When More Is Really More

With a roll of the dice and a 'delicate calculus,' increased news can pay off.

BY JANET STILSON

If yesterday teaches anything to those in the breaking-news business, it's that the odds are against stations' increasing their ratings by adding more local news programming. The belly flops can be real bruisers.

That's how some see the situation at independent KCAL in Los Angeles, which plowed $30 million into a three-hour prime-time news block this spring but has failed to lift ratings above the programming previously in place.

But the bottom-line potential—and the stories of sensational ratings successes—make the expanded news gamble appealing to some. Because of higher CPMs and lower program costs, stations don't necessarily have to equal the ratings they earned with syndicated product to make more money with local news. The challenge is to hang tough. "You have to earn the audience's trust with news over a period of time," says KCAL news director Bob Henry.

KCAL's persevering attitude is shared by other stations that have increased news without increasing ratings. In fact, despite the results so far, many express a desire to expand their news even further.

Nielsen numbers from the last two February sweeps reveal that ten stations in the top 50 markets increased weekday news in early fringe between February '89 and February '90. Five lost viewers, one remained stable, one had mixed results, and three had higher ratings.

Standing out as a real eyesore is WUSA-TV Washington. Last September, when *The Oprah Winfrey Show* jumped ship for ABC affiliate WJLA, WUSA counterattacked by filling the 4 P.M. void with a news show, nudging *The CBS Evening News with Dan Rather* up to 7 P.M. to make way for three hours of continuous local news. WUSA lost approximately four rating points and nine share points, according to Nielsen hourly averages over the three-hour period, falling from an 8.7/26 to a 4/13 in the 4 to 5 P.M. *Oprah* slot. Things didn't improve in May.

Because it isn't an Arbitron subscriber, WUSA can't tout that ratings service's brighter picture. In the 5 to 7 P.M. block, for example, while Nielsen has WUSA vying for first place with the other network affiliates, Arbitron has it a clear winner. WUSA g.m. and president Hank Yaggi says the station's own commissioned research indicates the audience interest is there, and cost efficiencies earn the news block a profit.

"It's not only economical, but responsible" to add news, comments Steve Smith, news director at Atlanta's WXIA. That NBC affiliate increased its early evening local coverage to 90 minutes last year by replacing another money-eating syndicated program, *The Cosby Show*, with an extra half-hour of news at 5 P.M.

The effort cost it about four rating points and six share points in the 5 to 7 P.M. period (which includes a half-hour of *Jeopardy!*), when comparing February '89 to February '90. Yet the news is still in the black.

If a station actually makes ratings headway with added news, the profits can be substantial. Such is the case with Miami's WSVN, which swelled its local coverage to six-and-a-half hours a day last year after it lost its NBC affiliation and became an independent. The station beat all three network morning shows with its own local variation and ranked number two in early evening news, according to Arbitron's May figures.

"By everybody's account, this is a very profitable station as a result of . . . the news," says WSVN news director Mark Toney.

Finding bottom-line joy with additional news isn't a simple matter. "It takes a delicate calculus" of weighing the ratings and ad revenue potential of syndicated programming against the lowered costs and higher CPMs of news, says David Bartlett, president of the Radio-Television News Directors Association.

Given the industry track record, it's little wonder that stations today are lengthening their news cautiously—particularly in the early evening. In sharp contrast to the big news expansion of the mid-70s, "We've reached a state of equilibrium," Bartlett says. ●

Disney's independent KCAL-TV in Los Angeles has yet to improve its ratings with a prime-time news block.

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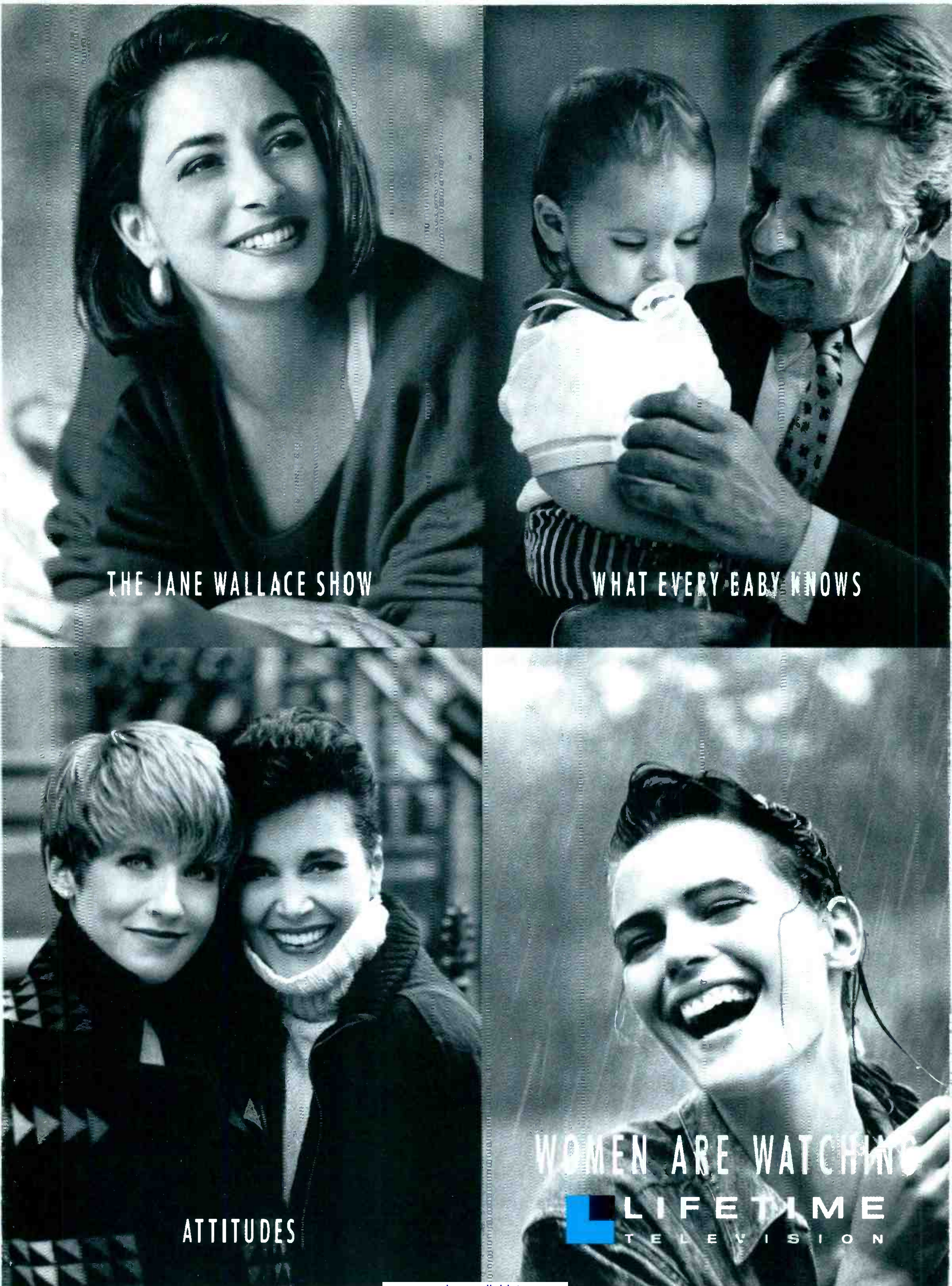
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Policy Gridlock

Why hasn't the Bush administration developed a clear communications agenda?

BY PENNY PAGANO

In January 1989, when George Bush was busy moving into the White House, the nation's television industry was grappling with unsettling changes in its structure, programming and audience makeup. While the president and his advisers have engaged any number of the nation's various troubles in the 18 months since inauguration, little has been done to sort out the country's jumbled telecommunications agenda.

Bush took office at a time of uncertainty in the TV business: Cable was continuing its redistribution of viewers from the broadcast networks to cable channels; the production community was recovering from a strike by Hollywood writers; and a languishing economy was threatening to undo much of what the deal-driven '80s had built.

At the same time, interest was percolating in new technologies such as high definition television (HDTV) and direct broadcast satellites (DBS). Potential rivals such as the telephone companies were intensifying efforts to remove the legal and regulatory hurdles that bar them from directly competing with cable. Stoking the regulatory fire was the rekindled furor between the TV networks and Hollywood over financial interest and syndication regulations (fin-syn), plus budding concern on Capitol Hill over cable's expanding power.

Some of these issues have a direct effect on the day-to-day operations of local TV stations and cable systems; others are primarily of concern to the power-brokers on both coasts. But the decisions on these issues—when, how, and by whom they are made—will dramatically change U.S. television.

A year and a half into a new era, it therefore seems fair to ask: Why hasn't the Bush administration developed a clear communications policy?

For a growing number of people, the lack of a cohesive national policy is starting to raise concerns about the U.S. role in the rapidly changing telecommunications arena. They see mounting gridlock in telecommunications policy.

"What is alarming is that we are starting to see other countries leapfrog ahead of us from the technology and regulatory standpoint," says former Reagan FCC chairman Mark Fowler. Fowler cites efforts to use cable, satellites and wireless local exchanges in the United Kingdom, fiber optics in France and DBS in Japan as some examples of new technologies already at work elsewhere.

As for the U.S., "We muddle along," he says, and "we cannot afford to while there are other countries moving rapidly and aggressively to implement new technologies. When you have a vacuum of power in the White House, that problem of gridlock is exacerbated."

Fowler believes the policy gridlock stymies new developments from several sides. "Programming has become tied up in a regulatory morass," he says, "making access to programming uncertain and making the DBS business plan a more risky proposal."

Other observers, such as Henry Geller, a communications fellow at the Markle Foundation, suggest that a key to the telecommunications problem is that "the president has no real interest in it. I don't think there is any high-level consideration at the White House on telecommunications."

There is a vehicle in place for such attention. The Nixon White House formed the Office of Telecommunications Policy (OTP) to advise the president on communications policy. When charges were made that the OTP had become politicized, and its location so close to the Oval Office was challenged, it was moved during the Carter administration to the Commerce Department and renamed the National Telecommunications and Information Administration.

Geller, who was the first head of NTIA, says he has offered a bit of procedural advice to current commerce secretary Robert Mosbacher.

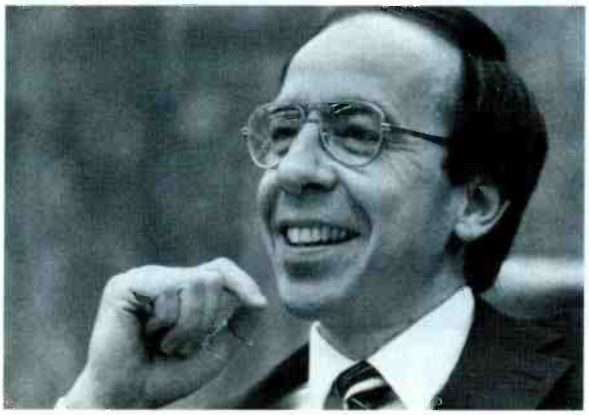
"I told him that on the big issues you need to involve the president. You can't do it often, but people don't pay attention to the NTIA," Geller says. "I believe that telecommunications is of great importance, and occasionally you should involve the president in sending presidential messages drafted by the NTIA. You ought to say that this has been focused on at the highest level.


First NTIA head Henry Geller.

"This hasn't occurred," Geller says, but he adds, "we're still in the early innings."

In the past, there have been occasional legislative proposals for a type of telecommunications czar in the White House, but Congress has never acted on them. In December 1988, Geller urged the White House to convene a commission that would map out a comprehensive telecommunications agenda for the final decade of this century. "You won't get anywhere," he says, "until you get a national consensus."

Over the years, the White House role in telecommunications has tended to be a reactive one, says Frank Lloyd, an attorney with Mintz, Levin, Cohn, Ferris, Glovsky and Popeo in Washington. Lloyd, who worked at OTP and later for then-FCC chairman Charles Ferris, helped write the Public Broadcasting Act of 1978. He points to that statute as the last piece of legislation that was initiated by the White House: "Carter actually met with the staff and said, 'This is what I want to do.'"



Former Reagan FCC chairman Mark Fowler sees a power vacuum.

Building on the efforts of his predecessor, Gerald Ford, Carter intensified the executive branch focus on regulatory oversight. The Reagan administration, armed with an ideology of marketplace rule, then offered deregulation as its major policy initiative.

While the Reagan White House did step into the earlier fray over the FCC's proposed changes to the controversial finsyn rules, it was the former actor's links to the Hollywood community and his broadcast background that triggered his sensitivity and spurred White House involvement.

Reagan did not orchestrate what the FCC—an independent agency—did, but his appointments of Fowler and Dennis Patrick, who shared his ideology, made certain that his goals would be met.

"There are plenty of people in town who vilified Mark and Dennis," says Harry Shooshan, vice president of National Economic Research Associates, a Washington, D.C., economic consulting firm. "But they made a difference and they got things done."

When it comes to a Bush administration telecommunications policy, Shooshan says it may still be "too soon to tell." Even so, he adds, "there don't seem to be any strong indications of what that policy might be."

He cites, for example, the issue of spectrum allocation. "There is a lot of promising technology out there that will benefit from freeing up additional spectrum. How hard this administration will push remains to be seen." As Shooshan puts it, the real question is, "What is this FCC or administration going to do that is groundbreaking?"

Others, such as former FCC chairman Richard Wiley, now of Wiley, Rein & Fielding, don't see any major problems with the way the Bush administration is handling telecommunications. "If it ain't broke, don't fix it," Wiley says.

He points to the ability of FCC chairman Alfred Sikes, NTIA head Janice Obuchowski and Bradley Holmes, U.S. coordinator and director of the Bureau for International Communication and Information Policy at the State Department (whose office is responsible for administration positions on international telecommunications matters), to cooperate as a big plus for the administration. In the past, these agencies have had bumpy relationships.

"I get the feeling that Sikes, Holmes and Obuchowski work together and understand each other's agencies. I think that it's rather harmonious and effective," Wiley says. "I really think this has been a success story for the Bush administration." Others argue that benign neglect of telecommunications policy by the White House, and its economic policy council, leaves Obuchowski to formulate domestic telecommunications policy by default.

To her credit, Obuchowski has launched several omnibus inquiries dealing with spectrum management, the nation's telecommunications infrastructure and the ramifications of media globalization. But she has limited staff and resources for the effort. Inside Commerce, officials say privately that "it would be a real plus if there were an administration agenda." Until then, they add, telecommunications policy will continue to "merely limp along."

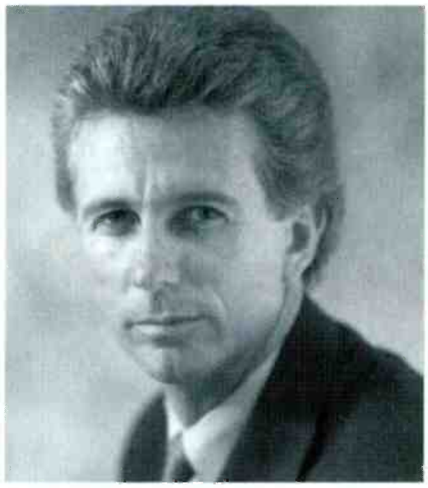
Critical, too, is what priority Secretary of Commerce Mosbacher will assign to the NTIA findings. Mosbacher, once a key public proponent of HDTV, cooled his support and interest after the White House indicated its skepticism about government support for the commercial venture.

Another barrier to developing a national telecommunications policy may be the FCC itself. The FCC is an independent agency that reports to Congress, not the White House.

"As we become a more and more information-based economy, and it becomes apparent that our comparative advantage in the world is in the information-related fields, it becomes more important for us to have a clear and consistent set of policies," says former FCC chairman Dennis Patrick. However, he adds, "it's pretty hard to have a cohesive policy when the FCC is an independent agency."

The lack of cohesive national telecommunications policy at the White House does not stop the march of technology. In fact, changes in technology are already overtaking current regulations. And the lack of a national policy, along with the seeming inability of the administration to identify and act on critical issues, can do real harm in the long run.

For example, the economic policy council at the White House—which sets the president's economic policy agenda—has been unable to formulate an administration position on the Modified Final Judgment (MFJ), the court-approved consent decree that governs the business of the seven regional Bell holding companies. Changes in the MFJ will determine, for example, whether the Bell companies can directly enter the TV business. It wasn't until the day before the House subcommittee marked up its cable bill that Mosbacher spoke out favoring telco entry into TV.



Dennis Patrick: Is the FCC part of the problem?

Today, George Bush has an opportunity to help lay the foundation for a telecommunications policy that will guide the nation into the 21st century. But perhaps it is unfair to ask Bush to do more than his predecessors.

"No president in history has personally ever cared about telecommunication policy," asserts Brian Lamb, founder and chairman of cable network C-SPAN, who also worked at OTP during the Nixon administration. "It's hard to believe that presidents don't care about something as important as telecommunications." •

Penny Pagano is Channels' *Washington editor.*

FIRST

21 JUM

His Spanish is terrible, but that didn't stop him before. Now, after almost four years as an overseer and chairman of the Telemundo television network, Saul Steinberg is jumping in as its chief executive, and he intends to play a more "creative" role in running the company. On a recent West Coast trip to visit Telemundo's KVEA in Los Angeles and KSTS in San Jose/San Francisco, Steinberg sat on the plane and watched five-minute video clips for shows based on his ideas.

"I'm not saying any of my ideas are going to be any good," Steinberg says, seated in his 29th-floor Park Avenue office. "I just think I can make a positive contribution in that area and I'm trying to do it. . . . I hope it will be constructive." Where does Steinberg—the principal owner and chairman of the multi-billion dollar Reliance Group Holdings, one of the Forbes 400 richest people in America and a Manhattan society player—get his ideas? He talks to his executives, and asks Hispanics what they like to watch. "I try to put myself in the buyer's shoes," he says. "I think I have as good a sense as anyone about what people are all about." One Steinberg idea: A *novela* based on the life of Carlos Barba, Telemundo's Cuban-born programming chief, who has made millions in Spanish-language television. ("Carlos thought it was a great idea," Steinberg notes. "I'm not sure that Don [Raider, Telemundo chief operating officer] thinks it's such a great idea.")

The Missing Pot of Gold

Saul Steinberg and Bill Grimes got into Spanish-language TV believing the Big Money would come. They're still waiting.

By Steven Beschloss

It's an audacious move from the 50-year-old Steinberg, whose reputation dates back to the 1960s as the *enfant terrible* who aimed to take over mighty Chemical Bank. With a presence largely as the money man behind the birth and development of Telemundo, Steinberg joins the long line of financiers drawn in by the glamorous potential of television and its promise of swift gratification. But there is more: Steinberg wants to involve other Reliance executives in Telemundo, including his brother and Reliance president Robert Steinberg, Reliance investment head James Yacobucci and Reliance chief financial officer Lowell Freiberg.

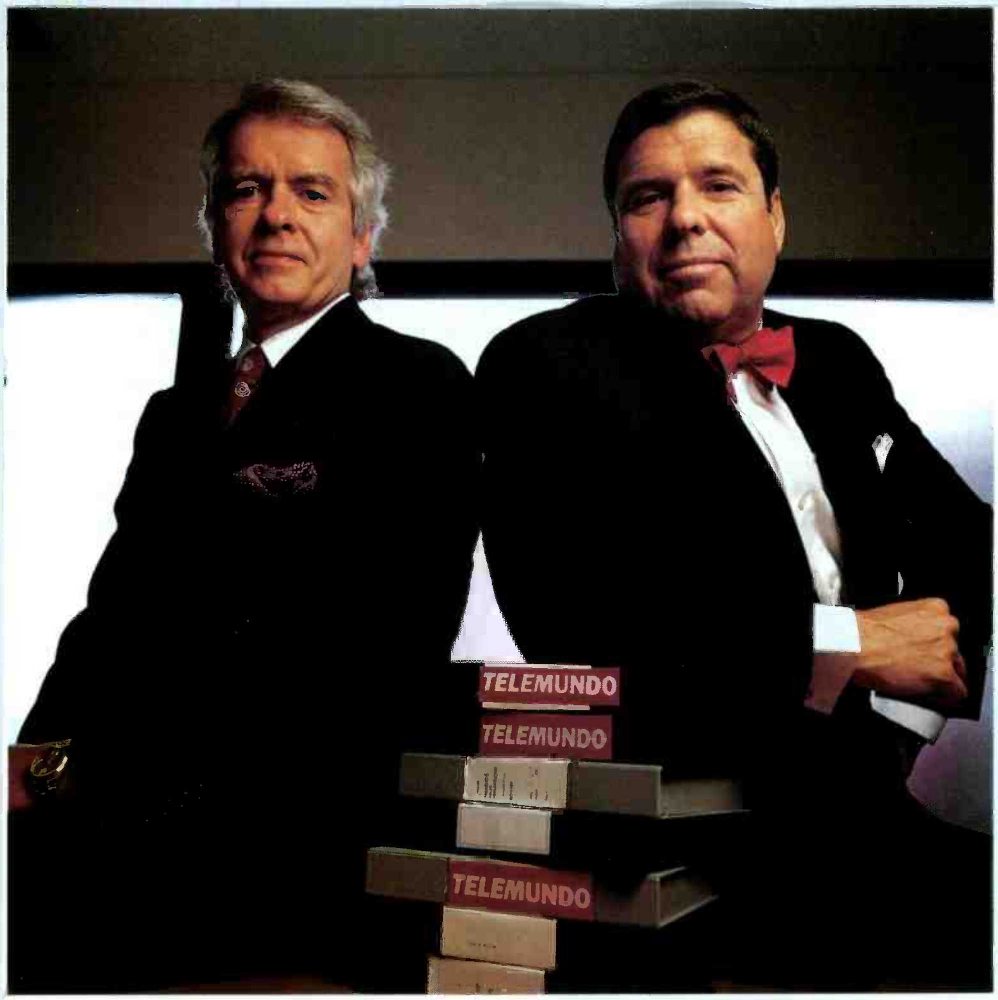
"Look, I'm dragging these people to meetings because I want to get the juices flowing," Steinberg says. "They're very smart people and I'd like to get some of that intellect working on the opportunities of Telemundo."

Several weeks later, Steinberg's main competitor, Univision chief executive Bill Grimes, is hunkered down in a narrow auditorium chair in Miami, his head in his hands. He turns once to whisper in the ear of Hallmark Cards legal counsel Judy Whittaker, and again to confer with Dale Bills, manager of corporate planning for Hallmark, Univision's parent. Restless, athletic, Grimes seems unable to sit still, especially on this spring night, dressed in a tuxedo. The former chief executive of ESPN is in town for the Latin Music Awards, the Hispanic version of the Grammys sponsored by Univision and Billboard Magazine and the kind of glittery live showcase to which such major national advertisers as AT&T, McDonald's and Sears Roebuck attach their names.

Teenage girls in the audience scream as Luis Enrique, a charismatic young Nicaraguan living in Miami, croons a pop ballad onstage. The response has to be gratifying to Pepsi-Cola's Hernand Gonzalez; he presented Enrique to the press earlier in the day as the new Latin celebrity sponsor of Diet Pepsi. While the girls swooned, Bill Grimes yawned, but it probably wasn't because he hadn't grasped how critical emerging Hispanic pop stars like Enrique—and the awards ceremony itself—are to enriching the network's connection with U.S. Hispanics, assimilated and assimilating.

Grimes, brought in two years ago to take Univision mainstream, is counting on a deepening symbiotic relationship with advertisers. If the programming gets better, more advertisers will come. If the advertising dollars flow more freely, better programming—and more of it—will be produced. It's exactly the development process that was critical to the eventual success of ESPN and other cable outlets. Grimes remembers how

PHOTOGRAPHS BY SHONNA VALESKA



Telemundo's Don Raider (l.) and Saul Steinberg were seen as leaders of a temporary irritant. No more.

much tougher it was to sell canned wrestling tapes to advertisers than almost any live production. "Even if it got a lower rating, advertisers would want to be in on it," Grimes recalls, "because it's original, it's live, it's crisp—and that's what is happening here."

....

It makes sense that Grimes and Steinberg are focusing their optimism on the future. These are the Anglo businessmen who entered into the Hispanic market, convinced of its financial potential and confident that their business acumen would compensate for being strangers to the language and the manner of Hispanic culture. At their most hopeful, they fondly imagined they had landed on a get-rich-quick scheme and its language was Spanish. Yet only in the last year or so, as both the dominant Univision and upstart rival Telemundo suffered substantial losses and increasing pressure to spend more money, have they fully gathered that the multi-colored path to the pot of gold may stretch farther and exact a higher price than they originally assumed.

Last year the publicly traded Telemundo registered a net loss of $39 million, and only met its debt obligations after Reliance Insurance and Reliance Capital—divisions of parent Reliance Group—and another investor infused the company with $73 million in exchange for newly created common stock. Univision, meanwhile, suffered a $52 million loss in 1989 and earlier this year defaulted on the interest payments of its junk bonds, inciting Hallmark to threaten letting the network slip into bankruptcy. Hallmark eventually orchestrated a $270 million bond buy-out at about 55 cents on the dollar, but the move by several accounts created a "ragged" atmosphere within Univision and added to the uncertainty about the Hispanic market's vibrance.

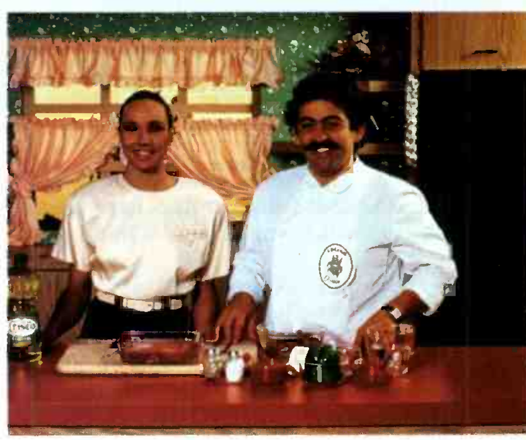
Some three-and-a-half years have passed since Henry Silverman, then Telemundo's chief executive, orchestrated the purchase of English-language KVEA in L.A. and relaunched it as a Spanish outlet. Flush with its better-than-expected performance, he began piecing together a Spanish-language network, including WSCV in Miami and WKAQ in Puerto Rico (through Reliance Capital's purchase of John Blair & Co.) and WNJU New York. ("It'll be like Star Wars!" roared the Marine-stiff Silverman in early '87. "We're going to make tremendous amounts of money.") Two years ago Hallmark Cards and Chicago First Venture Capital completed a $629 million funding to acquire the nine-station group of Spanish International Communications Corp. and the Univision network. Yet despite double-digit annual growth, creating a nearly $270 million Hispanic TV market, profitability remains a matter of statistical conjecture.

Both camps—Steinberg/Silverman, and Grimes and Hallmark chairman Irv Hockaday—knew the statistical projections when they got into this business. The nation's 20 million-plus Hispanics, about 8 percent of the total U.S. population and already accounting for $170 billion in combined purchasing power, will represent the fastest growing demographic group for decades to come. With Spanish TV attracting an estimated one-third of Hispanic viewing, they reasoned, how hard could it be to expand the base of advertisers and the scale of advertising dollars beyond 1 percent of TV's total? How hard indeed.

"They are really fighting for a very small piece of the media dollar," says Hernand Gonzalez, national manager of Hispanic marketing for Pepsi-Cola Co.

"It is an outright war for the Hispanic advertising dollar," adds Phil Fernandez, senior vice president of Castor G.S.& B., an Hispanic ad agency with billings of $64 million, all of it from Hispanic business. "I think the ones who have been lagging behind are the American marketing companies, whose marketers are still not comfortable dealing in this market."

Today, Silverman, who joined the investing Blackstone Group in February but remains on the Telemundo board, is still optimistic about eventual profitability. Yet experience—call it "Anglo businessman learns about managing a minority business"—has moderated his judgment: "What I didn't understand, because it just didn't occur to me, was that a lot of advertisers who were such logical advertisers would say to me, 'I don't want your people in my stores,' 'I don't want your people in my showrooms' or 'I don't really care about whether Hispanics buy my products.'. . . We went to a major consumer-products company and I told this person, 'You know, one out of every two children born in Los Angeles is Hispanic,' and this person said to me,

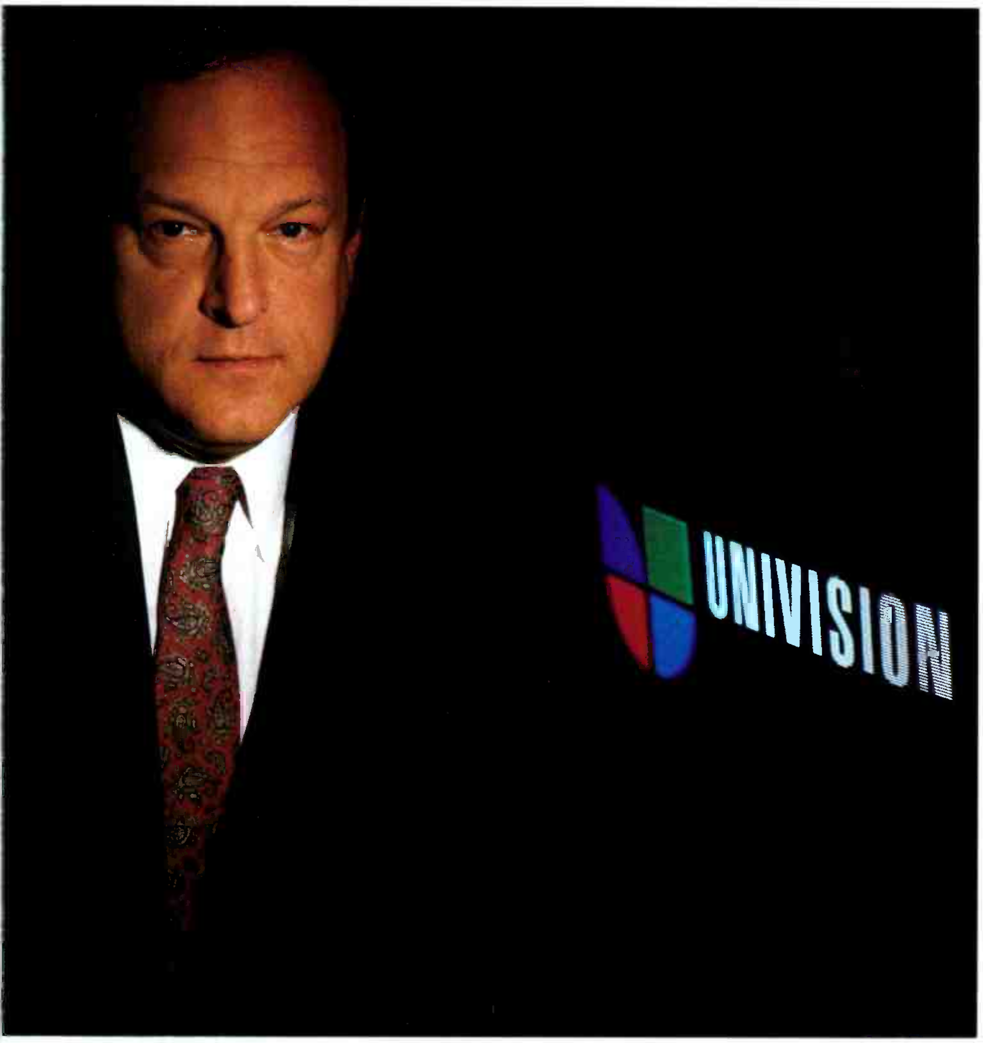

The product's in view on Telemundo's *Cocina Crisco*.

'Isn't that appalling?' We weren't going to walk out of there with an order."

Cultural prejudice is perhaps the most frustrating explanation for why advertisers have refrained from entering the Hispanic market or spending more than a token amount to reach Spanish-language viewers. There are other assumptions that dim the market's prospects of becoming the billion-dollar business that Univision and Telemundo executives anticipate: The Hispanic market is not singular, but rather is made up of a number of subcultures; Hispanic viewers can be reached through popular Anglo shows; ad agencies lack the internal resources to develop Spanish spots; Spanish TV may be only a transitory medium that unassimilated Hispanics watch before switching over. But both networks have tailored their efforts toward the most manageable criticisms.

In response to advertisers' doubts about the reliability of research from Miami-based Strategy Research Corp., which both networks use to obtain national ratings, the two companies are jointly paying A.C. Nielsen & Co. $38 million for Hispanic viewership data this fall in L.A. and a national people-meter survey by the end of 1991. "It's so hard," says Peter Housman, Telemundo chief financial officer, "to get advertisers who are so used to buying off the Nielsen book."

Convinced that Hispanic viewers will no longer settle for only imported *novelas*, they have expanded their U.S.-produced offerings, creating shows largely derivative of general-market television and stuffed with product placements to enrich the alliance with advertisers, much like English-language TV in its early days. Univision has gone the farthest, at least in dollar terms, spending more than $40 million in the last year on U.S.-produced programming, nearly triple its expenditures in 1987. Earlier this year it began shelling out nearly $50,000 an episode—relatively inexpensive for Anglo TV but unheard-of for Spanish—for an hour show with Paul Rodriguez, hoping that the Mexican-American comic will be a ticket to assimilated and semi-assimilated Hispanics who turned away from (or never watched) the network. Rodriguez's show has already motivated Mazda and Coors to sign up for half its inventory.



Chief executive Bill Grimes calls his first year at Univision the toughest in his business life.

Telemundo, which spent $10 million to open a Miami production center in 1988 and nearly $20 million on U.S.-produced programming last year, has kept a tighter lid on programming outlays. "How much does *Paul Rodriguez* cost?" asks Don Raider, Telemundo's chief operating officer with the basso profundo voice and patrician air. "Probably three times anything we do." Yet Saul Steinberg acknowledges that Telemundo may have to up the ante to create programming germane to the experience of U.S. Hispanics.

Expanding U.S. production has stretched the limited resources of both companies. But as their financial investment has grown, so has their resolve to stick around until the profits flow. "It may take longer than we originally thought," concedes Hallmark's Hockaday. "We believed long-term this company would reach its potential only when major advertisers supported it. I had underestimated what all of this involved."

These are not words to ease the mind of Bill Grimes, Univision's president and chief executive since late 1988. But after 20 months, they come as no surprise. From his first day on the job, the former cable executive began the process of discovery that would eat away at his initial optimism. Convinced by Hockaday to leave Cap Cities/ABC, Grimes inherited a company strapped with debt and suffering deeper financial disarray than he ever imagined. He also quickly learned that Univision was saddled with a misguided programming strategy—that the ten-year, fixed-cost contract for Televisa's Mexican *novelas* and other program offerings was not as valuable an asset as Hockaday had assumed when he urged the purchase of Univision.

At their first meeting, Grimes recalls, Joaquin Blaya, Univision's Chilean-born network president and general manager of WLTV in Miami for 14 years, told him, "Bill, if you came here thinking we are going to have a low-cost product by putting all the Mexican stuff on, it isn't gonna work. Yes, they have some very good *novelas*. Yes, we get first call on their best programming. But we aren't going to be able to make it that way because the U.S. Hispanic has a different experience." If Grimes had any lingering doubts about Blaya's assertion, a conversation in early '89 with Neal Comber and his boss Bob Wheling at Procter & Gamble, Univision's biggest advertiser, put them to rest. They told him they intended to spend the lion's share of their money on U.S.-produced shows and not a lot on *novelas*. "That was a pretty clear message to me," says Grimes, reinforcing his commitment to expand production in

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the U.S., which today represents nearly 40 percent of all the company's programming.

Grimes had quickly surmised that he could lean on Blaya —credited with creating the successful U.S. version of the Chilean weekly variety show *Sabado Gigante* and said to see himself as the Brandon Tartikoff of Spanish-language TV—to handle programming. Had he not done that, says one station executive, "A lot of executives would have walked." But the sales and financial side of the business was another matter, confronting Grimes with the fiercest test of his professional life. He had entered a business where "blood" was the fluid that mobilized deals, some longtime salesmen didn't know what ratings were, and sales pitches were geared more toward the corner bodega than the General Motors showroom.


Paul Rodriguez: a ticket to younger Hispanics?

Grimes details what he found: "Here was a station business that doesn't have any financial controls, no historical revenue information to speak of, an inability to forecast and people who'd never been asked to forecast revenues, sales presentations that are shabby, a strategy that our revenue growth will come from the old base of advertisers we've had for 20 years and the assumption that if we just keep trying, things will get better. Well, they don't get better unless you change your strategy." His mission was clear: to revamp the sales organization, replace many of the owned stations' general managers and create more sophisticated marketing presentations. But would he have the resources and support necessary to accomplish it?

Grimes had joined a television network that was founded at a single station in San Antonio in 1961. Spanish International Network had been built into an $85 million business by its principal owner, Mexican media baron Emilio Azcarraga Milmo, and chief executive Rene Anselmo before they sold out to Hallmark in 1986. But SIN executives had assumed they could program Mexican imports and U.S. Hispanics would keep watching—simply because they had no other Spanish language alternative. By the time Hallmark completed its deal for the network in mid-1988, there *was* real competition in the shape of Telemundo, although few people treated this fledgling presence as anything more than a temporary irritant. "There was an attitude out of Kansas City that we were bullshit, we weren't competition," Silverman says, "that this was a quick trade for Reliance and Steinberg and Silverman." Grimes acknowledges, "There was this feeling that the other guy didn't really exist."

That mind-set was not easily overcome after so many years as the only Spanish item on the menu. Nor did a Telemundo personified by Steinberg and Silverman seem to necessitate that. Steinberg, the principal owner of Reliance Group Holdings Inc., with assets of $10.4 billion, had attracted notoriety in the early '80s as a "greenmailer" for exacting a $30 million profit on his shares of Walt Disney stock in exchange for dropping his buy-out bid. Silverman, energetically involved in station acquisitions, had earned a reputation as a shrewd dealmaker more than a manager. Says Steinberg: "Henry is a financial guy. With Henry, everything is for sale." Of course the start-up of Telemundo was just another investment by businessmen less interested in operating a company than buying and selling one. Right?

If that assumption still held sway when Grimes arrived at Univision, it could not have lasted. Telemundo was reaching 58 percent of Hispanic households in January 1988; that would climb to 78 percent two years later (with Univision at 90). Telemundo was only drawing a rating of 3 in its Hispanic households in the fall of 1988 versus Univision's 14 rating, according to Strategy Research, but by February of this year had narrowed the gap with a rating of 7 versus Univision's 13.

The market was not expanding fast enough for both networks to maintain revenue growth exceeding 20 percent annually. Telemundo's sales staff was visiting the same advertisers Univision counted on—often undercutting them and "grinding down the rates," complains one Univision salesman—and was succeeding at getting itself an increasingly bigger piece of the business. "I saw that Telemundo was not going to go away," Grimes says. And he realized that holding down costs to ameliorate a drop in cash flow—the plan that he inherited—could leave the network in the precarious position of continuing to lose ratings and revenue.

By May of last year, Grimes could see the future. It was time to share his vision. "We've got to spend more money, guys,"

On the Local Front

When Mikhail Gorbachev visited George Bush in Washington, D.C., in May, the news crew for Univision's Spanish-language WLTV Miami stayed home. But the week that Daniel Ortega was voted out of office in Nicaragua, WLTV news director Alina Falcon sent two reporters and a crew to Managua; then sent them back for Violeta Chamorro's presidential inauguration. "We'll cover most of what the general-market newscasts cover," says Falcon. "But we challenge ourselves to think about what our viewers would be most interested in."

That's sometimes an easy call, as when Cuban-American leaders traveled to Poland last November to meet Solidarity's Lech Walesa—Cubans represent the large majority of Miami's Hispanic population, Nicaraguans the next largest group—less so when the story might take WLTV to Peru, the Dominican Republic or another Latin American locale that a smaller number of viewers call home. Falcon also faces the daily dilemma of balancing the disparate needs of recent immigrants and American-born Hispanics.

It helps that Falcon has a budget exceeding $3 million, the highly-rated *Noticiero Univision* national news to piggyback on, a staff of 53—small by Anglo network standards, but the largest among all Spanish stations—and that network president Joaquin Blaya was general manager of WLTV for over a dozen years. Clearly, the strategy of mixing breaking news and features that a recent arrival can use has been working: In the May sweeps the station's newscast ranked third overall in the Miami ADI, with a 7 Arbitron rating.

Now, with the just-completed move into a new centralized production facility, the daily trials of putting out a newscast have lessened. For the last decade anchors and reporters gathered news in offices 18 miles away from the broadcast studio. On occasion, Falcon herself shuttled the anchors so they could practice their scripts en route. S.B.

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Grimes told his corporate parents. "If we don't do that, you're not going to have much of a business. The problem is we have this heavy debt and a highly leveraged company and the shit's going to hit the wall here in about a year." Hallmark, aware that repaying its debt depended on achieving its financial goals, wanted to know if Univision could achieve the revenue projections by spending more money.

By July, Grimes knew that the answer was no, yet there was no alternative but to carry on. He had already embarked on increased spending for U.S. programs and capital investments—including plans to build a Miami studio complex for entertainment programs and relocate its national news operations there from Laguna Niguel, outside L.A.—and the company's long-term viability depended on it. "I told them I couldn't manage it any other way," Grimes says, and shakes his head. "It wasn't a happy day."

The year-end results only confirmed his dark expectations. Revenues climbed 12 percent to $176 million, but cash flow was down from $48 million in 1988 to $40 million. Moreover, with its debt obligations factored in, Univision lost $52 million. By Grimes' own account, the network's returns were 30 percent under budget. "I set a personal record for a missed goal," says the highly goal-oriented chief executive.

Telemundo, meanwhile, upped its net revenues 19 percent to $103 million, including $40 million from its Puerto Rico station, with a cash flow of $17 million. It registered a net loss of $38 million, including an interest expense of $39 million and a one-time gain of $9.4 million from a write-off of deferred costs. Twice during 1989 Reliance had infused the company with equity capital adding up to $73 million, pushing off its next major financial test to 1992 when the first of two debt payments totaling $220 million are due.

Adding fuel to the fire, Steinberg gives a grim assessment of his rival's financial maneuverings of the past year: "While the Spanish television market has some vibrancy, it's fragile enough that it doesn't need the number-one network to default on their bonds."

This is only the latest chapter in a deepening rivalry. Despite occasional joint efforts such as the deal with Nielsen—call them partnerships of necessity—there is clearly no love lost between the two companies. "Are they a worthy competitor?" asks Grimes, responding to a question. "They certainly have taken a lot of money that used to flow into our pockets. That's a fact. Is that a worthy competitor? Yeah, I guess. In my opinion, however, they have done it by the cannibalization of current advertisers rather than the development of new business."

Saul Steinberg does not doubt that in the battle for limited dollars some sales people have simply gunned for a piece of the competition's action. But he believes the competitive pressures between the two companies are far outweighed by the battle the market itself has in attracting ad dollars.

That battle has intensified since March when Galavision, owned by Emilio Azcarraga's Univisa, announced plans to create a broadcast network for the West Coast and the Southwest. Targeting Mexicans and Central Americans, who represent about 75 percent of all U.S. Hispanics, Galavision has already begun transmitting in Los Angeles and Houston, drawing on its 40,000-plus hours of Mexican-produced programming. So far the move has not hurt Telemundo or Univision, a fact that pleases Jaime Davila, division president of Univisa broadcasting and marketing. "We want them to do well," says Davila, who was president of SIN before Hallmark's purchase. "They are customers of ours."

Galavision's performance will provide fresh evidence for the competitors' insistence that U.S. Hispanics prefer U.S.-produced programming. Any doubts about Galavision, they contend, are mediated by their optimism over what Nielsen's findings will yield.

"If Nielsen shows that a third of Hispanic viewing is to Spanish TV and we can get about 1.8 percent of the revenues," says Grimes, "we're going to have a very wonderful business."

"If the market grows to a billion and a half or $750 million," adds Telemundo's Peter Housman, "those numbers would provide two or three companies to be very successful."

Still if.

	Univision	Telemundo
Owner:	Hallmark Cards Inc. and First Chicago Venture Capital	Reliance Capital Group
Owned Stations:	9 full power, 6 low power	6 full power, 1 low power
Affiliates:	8 full power, 7 low power and 511 cable systems	9 full power, 13 low power and 250 cable systems
Gross Revenue (1989):	$176 million	$116 million
Net Loss:	$52 million	$38.2 million
Cash Flow:	$40 million	$17 million
Network Universe:	5,945,100 Hispanic households	5,231,800 Hispanic households
Top 3 Rated Shows:	*Sabado Gigante, Siempre En Domingo, Rubi*	*Abigail, Cino Millionario, Maria Maria*
Average Rating for 3 (within network universe):	37	20
9 A.M.-midnight Mon.-Sun. rating:	13	7

Sources: Financial figures from networks. Ratings from Strategy Research Corp. Ratings are expressed as a percentage of the individual network's universe.

As a May rain falls on Miami, Jose Cancela stands at the muddy edge of Univision's new $23 million production facility in Miami. Bare cinderblock, sand floors and naked girders belie the approaching completion date of the 112,000 square-foot complex. Already, Cancela, general manager of WLTV in Miami, can envision hundreds of Hispanics waiting outside for the top-rated *Sabado Gigante*, the three-and-a-half hour weekly entertainment extravaganza.

Surveying the neighboring Doral golf course dotted with half-a-million-dollar homes, Cancela—his jet-black hair moussed to perfection—laughs the laugh of understanding. He can already hear the noisy enthusiasm of the crowd as they prepare to enter the 400-seat soundstage—and he can imagine the irritation of the Anglo residents living nearby.

Cuban-born Cancela is sensitive to the uneasy relationship between Hispanics and Anglos in Miami and other American cities. Bill Grimes may have toughened up sales operations and made "hard analysis" a watchword, but that doesn't mean national advertisers are ready to treat Spanish TV like a member of the club.

Cancela is not exactly paranoid, but the last year has worn down the typically cocky executive; he, like Bill Grimes, calls it the toughest year of his professional life. Faced with a retrenched economy, the loss of longtime local advertisers and a tough fight to land new ones, Cancela has wondered whether his station will ever attract the advertising it deserves. WLTV is rated number one in metro Miami and third in the entire Miami ADI for its local news—benefiting from Miami's majority Hispanic population —yet it still struggles to gain the support of advertisers aiming for a more "elite" customer.

Several months ago, a local retailer had planned to provide clothing for news anchors in exchange for a mention at the end of the broadcast. She changed her mind, worried that WLTV's viewers were not the right customers for her stores. "We're not talking about $200 shirts here," Cancela says. "With all the elements in place, it will always be an uphill battle." •

Diary Of A Relaunch

Inside Movietime's make-over into E!
By Ray Richmond

Inside IN FOCUS

Figuring out how to put a new spin on a fledgling cable network—or an aging one—is no easy trick. At E! Entertainment Television this past spring, it meant embracing new programming and marketing concepts and trashing others as the network drew ever closer to a June relaunch. Among pay networks, questions about how to revitalize subscriber growth continue to loom. In our second story, some fresh ideas are offered up by a group of TV executives looking in at pay from the outside.

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Masters: *"The cume for this network is going to be outrageous if we do our job right."*
Shea: *"What if we do our job wrong?"*
Masters: *"Then we all learn to say—repeat after me—'Do those loafers fit, sir?'"*

In the final, crucial months, planning the relaunch of the Movietime cable network while maintaining the old identity on-air was sort of like keeping a sputtering prop plane aloft while preparing to unleash a newfangled jet. Or as one staffer put it, "maintaining the dead organism while birthing the new one."

With new managerial control from Home Box Office and a $43 million spending allowance, the channel's top officials were under the gun to make the transformation into E! Entertainment Television a hit with cable operators and their customers when it relaunched June 1.

E!, it was agreed, would be a glorious short-form network embracing the full spectrum of entertainment. A news-wheel format segmented into hour-long programs would replace an unfocused hodgepodge of movie-oriented segments. The anchors would be at once hip and credible. It would be bold. It would be new. It would be different. Or would it?

The handwringing, brainstorms and mounting excitement as plans solidified at the channel were observed from the inside over a three-month period. What follows is a firsthand account of the transformation in progress.

MARCH 4: In a telephone conversation lasting well into the night, E's senior vice president of programming, Fran Shea, and senior vice president of marketing, Sheri Herman, ponder what the name of their new TV network will be.

"We kicked around 4,000 different variations of the word entertainment," Herman recalls. TENN (Total Entertainment News Network) was popular for a while. ENT was the choice at one point. Then there was ENTV, ETV, even TVE.

"All we really knew was the name Movietime had to go. It was never clearly descriptive of [the multi-entertainment net-

E!'s chief brainstormers, Sheri Herman, Fran Shea and Lee Masters.

work] we wanted to be," says Herman, 35, the only high-ranking official to be retained from Movietime's previous administration.

A few days earlier, Movietime's design firm, Big Fat TV, had presented the idea of a logo featuring a giant E inside an exclamation point. Herman's initial reaction was a combination of revulsion and disbelief. She ultimately found a certain magic in the idea when talking over the phone with the 32-year-old Shea, a ten-year HBO veteran and the sole remaining member of an HBO executive S.W.A.T. team sent to the channel last year. "Graphically," maintains Herman, "nothing could say what we are better than E!"

MARCH 6: To help get the word—or at least the letter—out about the name change, Herman puts in a call to Ron Smith Productions and hires seven Elvis impersonators to deliver the news to the press and key multiple system operators in five cities. The "Big E" look-alikes are to belt out a rewritten version of "Heartbreak Hotel" with the E! message. "We had to let everyone know from day one to expect the unexpected from us," says Herman.

That philosophy soon stretched to include E!'s trade advertising, notably the print ad featuring a clean-shaven Lee Masters, E!'s newly appointed president and chief executive, sporting a shiny bald head, save for a hairy E! logo sculpted down the middle. A veteran of two decades in radio, the 38-year-old Masters is best-known for revitalizing MTV: Music Television during a four-year stint (1986-1989) at the channel. For the cable industry, seeing Masters—as well-known for his mass of curly hair and beard as for his recent role as executive vice president and general manager of MTV and VH-1—the advertisement prompted the question: "Did he really *shave his head*?" Answer: No, but he did lop off his beard. It took three hours for a make-up artist to apply a skullcap and fake hair to Masters' pate.

MARCH 16: The notebook reads "Movietime" on the front. Inside is the development report for every E! program segment concept to date. It's labeled "Confidential" and broken down into an A-List and a B-List.

PHOTOGRAPH BY AMY ETRA

Virtually all of the segments are new save for a few holdovers from Movietime, like "Soap Dish." Among the A-listers is "Shameless Plug" (an unusually honest bit of packaging, allowing celebrities to pitch their latest projects), "Global E!" (stars and the environment) and one dubbed "Tabloid Busters" (giving rumor-plagued celebrities a chance to refute scuttlebutt about their lives).

It's on the B-List, however, that the truly entertaining reading begins. Among the lot: "TV Warm-Up Guys" (about the people who tell jokes to loosen up studio audiences), "Elvis Report" (a look at the latest Elvis sightings), "Mutual of Hollywood's Wild World of Stardom" (a tongue-in-cheek segment series in the form of a wildlife documentary studying celebrities in their natural habitat), "Star Spotters" (featuring average Americans using their camcorders to document celebrity activity in their various hometowns) and "Get a Job" (offering weekly reports from unemployed actors and actresses searching desperately for work).

MARCH 26: Women and gossip becomes the focus of discussion at this afternoon's creative meeting. Every piece of research the E! team has seen indicates females are the biggest consumers of entertainment news, leading Masters and company to expect about 65 percent of their audience will be female. But what do women think about dishing the dirt?

Associate producer Leanne Knight tells the assembled about new findings from a pair of focus groups, one with women aged 18-34 and the other with women 38-44. Younger women tend to lie about how much they enjoy gossip, Knight concludes. But with both groups, there is little or no negativity surrounding the word "gossip." In fact, it is considered a good thing, particularly if it's juicy and centers on available celebrity men.

MARCH 30: At a planning meeting, Masters decides that news must play at the top of each hour, since gossip—while the appeal is high—isn't visually compelling enough to grab viewers. Gossip will be teased up front, however.

The conversation soon shifts to commercials. Movietime had been running ads for products like hearing aids and contour chairs, but Masters scotches any talk of allowing them to continue. "It's not our audience," he says. No one disputes what Masters says, even though the channel's red ink runs deep. (In 1989, its negative cash flow was estimated at $9.5 million by Paul Kagan Associates.)

Masters also stresses that E! will need to strike a careful balance between celebrity news and entertainment information. "Famous faces will make people feel good about the network, but information is what keeps them coming back. We also have to make sure that we're not just about movies."

"We're trying to get celebrities of TV and music," replies Debbie Adler, v.p. of programming and development.

Masters: "I understand, but my feeling is we're going to be really movie-star oriented."

Adler: "We're very sensitive to that. We know the mix we're aiming for: 45 percent movies, 35 percent TV, 15 percent music, 5 percent everything else."

APRIL 6: There's take-out Chinese in the middle of the table and excitement in the air. Out of some 1,000 tapes received for anchor positions on E!, vice president of talent and development Marta Tracy reports that the list has been narrowed down to 30. That field will ultimately be pared to six, or three two-person teams.

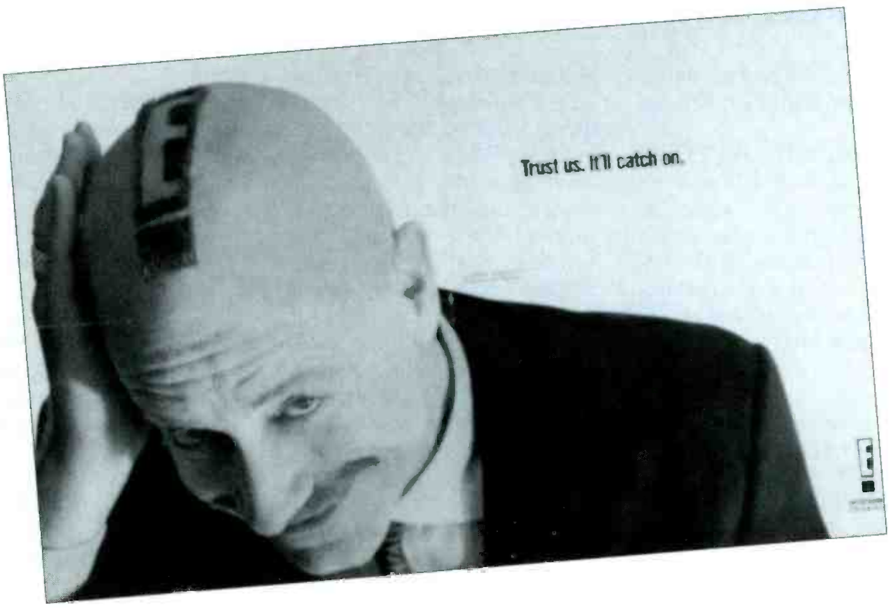
"The good news is they can all read," reports Shea only half-jokingly. She doesn't say what the bad news is.

"Some people listed appearances on *The Dating Game* as TV experience," adds Tracy.

This programming meeting also happens to be the first attended by the newly hired Danila Koverman, E! news director. As a sort of orientation exercise, Shea helps lay down the ground rules for what makes an E! story. "We're positioning ourselves to be very friendly with celebrities," explains Shea. "We want to give support to the star on the news if, say, we find he's been caught with heroin in his car. I know it's bending journalism, but all entertainment news is bending journalism.

"I'm not asking us to do puff pieces on everything," continues Shea, "but if Sean Penn punches a photographer, we want to ask why. . . . We need to ask the extra question. But I don't want any Miss America kinds of questions, either."

Staff writer James "Big Boy" Medlin explains that an important distinction in writing for E!—as opposed to Movietime—is that while Movietime was interested in developing



Sending out the message to operators to "expect the unexpected" from E! involved not only Elvis Presley impersonators, but giving the network's president and chief executive Lee Masters a special-effects haircut.

BEFORE THE FACELIFT

It's no secret that Movietime operated in deep red ink throughout most of its troubled three-year existence. But looking back, industry executives say it was burdened not only with a lack of finances, but an underdeveloped basic-cable concept.

The channel debuted in July 1987 as, essentially, a 24-hour movie-trailer/clip service. It was founded by Larry Namer, a former vice president and general manager of Valley Cable Television in Los Angeles, and Alan Mruvka, a one-time real-estate developer. The pair pooled a few hundred thousand dollars of their own money to get Movietime off the ground in some 2 million homes at launch. The service grew quickly, expanding throughout 1988 at the rate of some 600,000 households a month. But in early 1989, the network stalled at about 13 million. Gains have been tiny ever since.

Making things all the harder, Movietime didn't receive any per-subscriber revenue from MSOs until the start of '90, relying solely on advertising as a revenue stream. "They were undercapitalized from day one," says Dennis McAlpine, a senior vice president at Oppenheimer & Co.

The channel did receive around $10 million from the New York investment firm Mabon, Nugent & Co. in 1988. Further cash infusions, estimated at $10 million for 1989, have come from the seven cable companies that bought into the service. Four Time Warner companies hold about a 40 percent stake: HBO, Warner Communications, Warner Cable Communications and American Television and Communications. Five other firms, all MSOs, own 10 percent each: Comcast Cable, Cox Cable Communications, Continental Cablevision, NewChannels Corp. and United Cable Television.

Some theorize that Movietime tried to grow too quickly. It was barely a year old before Namer and Mruvka expanded the channel beyond its movie niche to include coverage of the cable TV and music scenes. And before it turned two, the channel had started several ancillary ventures, including a radio network, an interactive film hotline service, a magazine and a Spanish-language series. All that changed when Namer and Mruvka relinquished managerial control of the network last August, and HBO returned the focus to programming.

It was feedback from operators that helped E!'s staff determine that Movietime's short-form programming wasn't working. "It just didn't click," says Bob Russman, senior vice president of marketing and sales for Simmons Communications. "The tendency with short-form is to watch a segment for a couple of minutes and then move on." But initial reaction to the new channel appears positive. "It's a different-looking product," observes Larry Gerbrandt, a senior analyst at Paul Kagan Associates. "The people behind it appear to be taking some very innovative chances with the programming."

The E! staff contends that their new network will hit big, since it has a far clearer direction than its often unwieldy predecessor. To that, McAlpine replies, "It's easier to have direction when you have $43 million to play with."

R.R.

a host's personality, anchors at E! are treated as end points of a relay team. Adjectives are also encouraged more on E! It's not Michael J. Fox but "the five-foot-four Michael J. Fox." It's not Bruce Willis but "new father Bruce Willis."

It was unclear how much time had to pass before Willis' fatherhood was no longer considered new.

APRIL 17: Shea announces that she has thrown down the gauntlet. It's time to begin taking things seriousl-E! "We started out with 50 pretty solid segment ideas," she stresses. "It's no longer, 'Does it work?' but, 'If it does work, how can we do it and get it on the air by June 1?' " Among those ideas Shea has tossed are the buzz-on-the-street segment "Word of Mouth" ("It didn't go anywhere") and the theater exit-poll survey "Is It Worth It?" ("People tended to say what they thought you wanted them to say").

The "Elvis Report" has been assigned to "backburner purgatory." Elvis, she insists, isn't dead. At least the segment isn't. "Things may stay on the B-List forever, but they don't die until they're killed." Sounds logical.

APRIL 20: Herman pulls out a 14-page E! sales presentation and launches into a dissertation on why the 1990s will be "the decade of entertainment" and "the era of E!"

"The Entertainment section is the second most widely read newspaper section, with TV and radio listings the third. Entertainment magazines are among the top in circulation.

"VCR penetration will stand at 98 percent by the end of the decade." Herman is clearly beginning to build momentum. "Shows about entertainment consistently pull huge ratings."

Yet after three years, Movietime/E! is in barely more than 14 million households, Herman is reminded. "Yes, that's true," she acknowledges. "From what we gather, most of the increases will be occurring after launch."

And why is it that Movietime couldn't claim this allegedly wide-open niche for itself? Herman cites Movietime's focus on "a younger male audience," rather than women, and the lack of a strong, unified look.

JUNE 1, 3:02 P.M.: Masters, Shea and a roomful of E! staffers have gathered around a TV monitor at the network's brand-new Hollywood production studio. They're all raising glasses as their new channel breathes its first seconds of life.

Suddenly, squiggling lines begin passing over the screen. The sound grows weak. Within moments, the picture has gone dark. Audible gasping is heard; blood vessels constrict; hackles rise. A check of the monitors in other offices confirms everyone's worst fears. They have technical difficulties before the channel is even five minutes old. Or so it seems.

"There we all are, watching our careers dissolve," recalls Masters. But in actuality, the problem was confined to the building; a technician was just doing a little maintenance. He was asked to stop and take lunch.

JUNE 11: The word is already out that the "Health and Beauty Tips" segment isn't cutting it. The inevitable post-launch fine-tuning has begun. Masters and Shea delve into their segment stockpile and come up with "Recasting Call," in which people on the street would be asked, for example, who they would cast in a new version of *Citizen Kane*.

Five-foot-four Michael J. Fox? •

Ray Richmond is a television critic for the Orange County Register *in Santa Ana, Calif.*

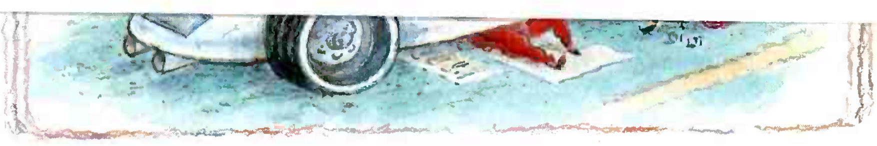
GUTKOWSKI: The marketing is certainly the key. When I was at Paramount [Television as vice president of advertising sales for domestic distribution], one of the things when they went out to try and sell a show, they tried to get promotional guarantees from the stations. It's a tremendous, tremendous asset. And a lot of times, one station would get [a show] because they said they were going to promote more than any other station.

RYAN: There are a lot of lessons to be learned from the earlier underdogs, the independents, who had lesser product in many cases, and it's farther down the line anyway in terms of release of movies and so on and so forth, and they developed all kinds of innovative marketing things.

They developed theme weeks. They were very creative in trying to outmaneuver the big guns, the networks and the affiliates.

Well, the pay channels are certainly in a better position . . . and maybe it's time to look at doing all those things just because the competition is so tough.

CLIFFORD: I would not be critical of what HBO does on its own. I am critical of what the cable industry does



specific or image advertising to the point when you, the operator . . . are so sick and tired of it that you want to get rid of it. That's something that's not going to be done for nothing by the system operator, so that comes back to the trade-off between where that pay service is spending its dollars and if it's choosing to spend its dollars in areas other than giving incentives to the cable-system operator to promote its service.

GUTKOWSKI: Do you see the [pay] networks doing a lot of tune-in [advertising]?

CLIFFORD: No, no.

GUTKOWSKI: It doesn't strike me that they do anywhere near the level of NBC or CBS . . .

CLIFFORD: Oh, absolutely not.

GUTKOWSKI: [That's] the best way to get to the customer. It's a little bit more difficult . . . it's a little hard, when you buy an area paper and you've got eight or nine different cable [systems], to say, "Tune in tonight to Channel 6."

and what over-the-air networks offer will continue to narrow. I mean, *Married . . . With Children* is not a show that would have been on commercial television ten years ago. It is now, and there will be more and more of that, and I don't see the HBOs and Showtimes of the world moving to show X-rated movies.

CHANNELS: For a while, it was considered essential to have exclusive rights to certain movies, and HBO and Showtime bid against each other. Prices went through the roof. Is that a mistake?

GUTKOWSKI: Developing exclusivity is obviously the key . . . but if you don't market the fact, if you don't get it down the line to the consumer that these movies are exclusive and you can't get them anyplace else, then it's not effective.

CLIFFORD: Is it as large a plus, though, when that window comes after the VCR window?

GUTKOWSKI: The plus is less. It's

ILLUSTRATION BY PLATO TALEPOROS

TIME FOR A TUNE-UP

Channels asks some unlikely experts how they would fix pay cable.

In 1989, pay-cable subscriber growth was the smallest since 1986. Intense application of the

CHANNELS: What are pay television's problems as you see them?
CLIFFORD: Pay television fueled the

the individual who's buying cable for a very specific purpose, and pay isn't necessarily part of their lives. We're talking about a different demographic,

not a lay-up, but I think anything that you can have exclusively and market it correctly—and certainly it has impact depending upon when your window is there—has a positive effect.

COLLOFF: But isn't the question though if we're talking about where pay cable networks are going, what the cost-benefit ratio is for a pay cable network to pay that premium for exclusivity now that there is this VCR window, as opposed to putting that money into co-op marketing with these cable systems? That's the issue.

CHANNELS: Besides movies and sports, any speculation about other program areas that could work as a pay channel that haven't been tried yet?

GUTKOWSKI: What two areas are you going to pay ten bucks for other than movies or sports? I'm not so sure that there is one.

COLLOFF: It's made particularly difficult by the fact that you now have niche programming among all the basic services. The question is, is there really a lot of room for pay services to do the same thing? Probably not.

POVICH: In terms of programming, if I had a pay-TV channel, I would think completely differently in that 6 P.M. to 8 P.M. block, for instance. I would not run a movie. I know it's easy to run a movie. It's cheap to run a movie. It's just filling up two hours. But I would go after the over-the-air TV viewer and I would try an *A Current Affair* type show. I would try a magazine. You don't have to give it up with whatever they run or a B-movie or a C-movie that they throw in there at 6 to 8 because they don't know what audience they've got watching it.

RYAN: What you're hitting on is building loyalty.

POVICH: Right. And you don't build loyalty by just eclectic programming. You may have some good things. You may have some hits and misses. But the earlier you get that viewer in the evening, the better chance you're going to keep him instead of hoping he's going to come in at 9 o'clock or 10 o'clock.

RYAN: We're fortunate enough to be involved in a program called *Twin Peaks*, which is on ABC. Now, let's talk about uniqueness. Would this sort of thing work on a pay channel? Maybe—we've seen what can be done here, and it literally is not a network kind of show. . . . It seems to be building a loyalty that won't quit and that's exactly what you're trying to do to avoid churn.

CHANNELS: [Showtime] did *Garry Shandling* and *Paper Chase*.

POVICH: But they threw it up right in that same time period that the networks were throwing up theirs. The network news numbers are going down. No one feels saddled in terms of watching that news anchored at that set. That loyalty is missing and I think the pay-TV people have a shot at getting these people because they're searching in a lot of different areas between those hours.

What you say about the no commercial, unedited stuff is just very appetizing because you're talking on a half-an-hour show eight more minutes when you don't have to leave subjects. You really have a chance of offering something a little more penetrating to the viewer than you have on commercial TV.

CHANNELS: HBO has consistently scheduled documentaries.

POVICH: I think they haven't done a good enough job marketing it. If I were HBO, I'd market it against the news networks and say, "This is what they won't tell you."

GUTKOWSKI: If you're a broadcast station, whatever, a basic channel, you're constantly running promos within the product that represents what time, what's on next week, what's on next month. What you're trying to get through to the subscriber is, "Stay with us because we've got some real good stuff on this network." Now, [the pay networks] do it in blocks, but never within the movie.

POVICH: Those blocks seem to be a turn-off because a lot of those blocks are too long.

GUTKOWSKI: If I were [running a network], I may take two of these suggestions. I'm going to let the operator keep more money. I'm going to spend more for marketing, but in return I need some advertising revenues. So I'm not going to break up movies, but we're going to have sponsorships, so tonight *Field of Dreams* is sponsored by Coca-Cola with a spot at the beginning and end. It's still an uncut movie in the middle.

CHANNELS: Do you think the viewer would be more amenable to that if you dropped their rates?

COLLOFF: When we are beaten up constantly about zapping—I'd love to see what the reaction of agencies would be to commercials that are in blocks between programs. It would be a very tough sell.

POVICH: On a billboard, it might be all right.

CLIFFORD: An interior is much more valuable. It would be initially a pretty tough sell because we've promoted the whole thing as noncommercial. Strictly, you pay for it, you get it.

COLLOFF: I think the nature of what HBO does, which is very successful despite its problems, an entertainment network that basically shows movies that have previously appeared in theaters and some original programming, what would a Mobil think it would get from that as image advertising that it could not get to a greater extent from continuing its PBS association?

CHANNELS: One of the main marketing mechanisms is discounting the services. Is this a good way to market pay?

CLIFFORD: When we do have a reduction in price, we do get a substantial bump in the numbers. People will try it and, you're right, following that there is usually a drop-off. But the net effect is you're ahead of where you were before.

GUTKOWSKI: You know, one of the questions we always had is, is there a way to market where you can get the subscriber to buy on a yearly basis compared to a monthly basis? Is there any way you can come in where a Showtime or an HBO or a Cinemax is bought on a yearly basis, 12 months? There's a tremendous discount because it's 12 months, or six months.

CLIFFORD: You sell on an annual basis and you discount it and then it doesn't show up on your monthly bill, because . . . when you get your monthly bill and you've got all those networks, you're reminded every month you're getting every network . . .

POVICH: I think that that would be attractive to a viewer.

CLIFFORD: I think every cable company has done that and does it to some degree primarily in tourist areas. For example, we have a system on Cape Cod and we sold annual agreements there because it's a seasonal kind of marketplace.

But the biggest problem . . . is the retaining of the existing market. They bought it. They wanted it. They're using it. Now the job is to keep them and reduce churn, and I think you can do that through promotion, better scheduling and having the cable operators be more aggressive in their promotion and their contact with the subscriber; letting them know of the real value that's available to them. •

"The Market From Hell"

Miami's CBS and NBC O&Os continue to struggle 18 months after the switch.

BY STEVEN BESCHLOSS

To look at the ratings, WCIX might seem like a struggling independent—which is what it was. Eighteen months after this Miami station was transformed into a CBS O&O, general manager Allen Shaklan is still learning more about the virtues of patience and modesty than the pleasures of success. "One thing drove me crazy," says Shaklan. "People thought we'd come in and quickly would be like a CBS station that has been here for 40 years."

It hasn't happened, despite more than doubling the news staff, spending $6 million on live trucks, news cars and state-of-the-art production equipment, and another $5 million to promote the station. Even the purchase of a low-power satellite station in northern Broward County, a deal with Sears Roebuck & Co. to install antennas for viewers gratis and another with local cable systems to subsidize new hookups—unheard of for a major-market network affiliate—has not resolved the station's signal deficiencies.

So much for Tiffany-shaded arrogance. A year and a half after CBS and NBC switched their affiliation, both stations are still struggling to regain their footing. The easiest explanation would center on lingering viewer confusion, but both spent millions last year to inform the public about the switches that turned WCIX into a CBS-owned station, WTVJ into an NBC O&O and WSVN from an NBC affiliate into a VHF independent. The answer has more to do with the competitive frenzy that inspired WTVJ president and g.m. Dick Lobo to describe Miami as the "market from hell."

ABC affiliate WPLG, the one network station that stayed out of the switching fray, has sustained its market dominance, both in local news and sign-on to sign-off ratings. But the unexpected strength of independent WSVN—which owner Edward Ansin failed to sell to CBS—and the success of Spanish language WLTV in drawing a sizable Hispanic audience has only intensified the dilemma of WCIX and WTVJ.

Indeed, WTVJ has experienced something of a ratings free-fall in recent months, which Lobo blames heavily on the network. He has an argument: Nationally, since last year's May sweeps, *The Today Show* has fallen four share points and prime-time programming has dropped four share points in the Nielsen book.

Yet the station has also been hit by a parade of news directors (four in the last three years), musical anchors and come-and-go strategies to target viewers. "This station has made some major changes and experienced a lot of traumas," concedes Lobo, who is adding two new anchors this summer. "All of this is unsettling and destabilizing."

WCIX general manager Allen Shaklan.

Despite a 32 percent ratings drop since the affiliate switch in January last year, Lobo is quick to note he has upped viewership since the affiliation switch in both prime time and late news, critical dayparts from which WTVJ derives about half of its revenues. "Before the switch WTVJ was number three in prime time and not a good one," he says. Now it's number one in prime time, but just barely, edging ABC's WPLG by .4 of a ratings point in the May Nielsen book.

But what may be most unsettling for WCIX and WTVJ is the hard-core decision of Edward Ansin to pump up his news organization to six and a half hours a day. Using a hyped-up tabloid style, WSVN's news pushed the station into second place sign-on to sign-off during the May sweeps, beating all the network morning shows and both NBC and CBS stations with its local evening news. During May the competition was understandably quick to jump on WSVN for an errant lead 10 P.M. report in which the anchor said an Eastern Airlines jet was attempting to avoid "exploding on impact" after one of its ten tires blew out; but the close scrutiny by competing stations clearly dramatizes their nervousness. "The truth is there's never been such a strong independent in South Florida," says Lobo.

It's a position that Allen Shaklan can only envy. After CBS chief executive and principal owner Larry Tisch unexpectedly failed to make a deal with Ansin, he paid $59 million for WCIX, saddling the new g.m. with a weak indie and serious signal problems created by a tower 38 miles south of the competitors' towers.

Since arriving from New York, the former v.p. of programming, news administration and station services for CBS Television Stations has added four more live trucks, 13 news cars and upped the news staff from 28 to 67. He has encouraged live cut-ins for important breaking stories and occasionally preempted network programming for local initiatives, such as airing a WCIX-sponsored town meeting on Miami race relations.

Slowly, the station's overall ratings have risen, climbing 27 percent since the affiliation switch, according to May Nielsen data. WCIX started, however, from a 3 rating/9 share. That's why Shaklan believes it could take three to five years to turn the station around. In the market from hell, Shaklan can only hope that the viewers are learning to be patient, too. •

Residual Resentment

by Neal Koch

Syndicators are at odds with writers and actors over basic-cable residuals.

Fans and even some industry executives were surprised this past spring when offbeat comedian Tracey Ullman abruptly announced her departure from the critically praised Fox Broadcasting program bearing her name, a show that helped launch the network. It was never a ratings powerhouse, averaging a 4.8 rating/8 share, but the Emmy-winning *Tracey Ullman Show* gave FBC an important dose of creative respectability.

Equally surprising to some was the announcement that quickly—and more quietly—followed: The show's distributor, Fox's Twentieth Television Corp., had sold rerun rights to the Lifetime cable network. But distributors and some union representatives say there's no real surprise there at all. With a weak broadcast-syndication market and a lower cost structure in cable for residual payments to talent, they argue, the costs of selling a poor ratings performer to stations often don't make sense. "There are many shows you can't afford to bring into broadcast syndication," contends the head of one major syndication company, "because the license fees wouldn't match the residuals."

Many union officials, however, label this argument—increasingly heard in Hollywood—a ploy to deflect attention from the soft broadcast-syndication market and basic cable's growing program budgets. Remembering that syndication residuals were a central issue on which the Writers Guild of America gave ground following its lengthy 1988 strike, some suggest the current finger-pointing at residuals might later be used by studios to make a run at further reducing payments in the 1992 WGA and Screen Actors Guild negotiations. "Residuals become a scapegoat," argues Charles Slocum, director of industry analysis for the Writers Guild of America, West, "a convenient scapegoat."

Both sides agree on this much: By the time a series is ready for syndication, all of a producer's costs have been sunk, save three—actual distribution expenses, marketing costs and residuals. A syndicator selling to broadcast stations must pay for multiple copies of a show's episodes, expenses for the sales force on the road, marketing support for the show once it starts airing, and preset per-episode payments to actors, directors and other talent.

A sale to cable, however, means one deal, one set of negatives and less marketing support. Moreover, because different contract provisions in Hollywood guild agreements apply, cable residuals are paid on a variable scale, totaling just 10 percent of the sale price. In broadcast syndication, higher, specified rates must be paid, regardless of the total revenues garnered from sales to stations. For hour shows, the guilds have given some relief, placing them on sliding scales. But they still remain higher than for cable. Estimates of broadcast-syndication residuals payments range from 20 to 40 percent of gross sales.

Tracey Ullman's cab e deal meant lower residuals.

In the case of *Tracey Ullman*, Slocum estimates that domestic distribution expenses would have run $50,000 an episode for sales to 150 stations, with residuals at about $40,000 per episode. Instead, based on a Lifetime purchase price estimated at $250,000 an episode by Paul Kagan Associates, residuals will be only $25,000 an episode for Ullman, for a savings to Fox of about $15,000 per episode.

Such savings are possible because in 1981 the guilds first agreed to a lower residuals scale for the nascent basic-cable market, but mainly for failed series with only a few episodes. As the decade progressed, studios used their leverage in collective bargaining to spread the discounts to almost all off-network reruns on basic cable. They also gained concessions in the broadcast-syndication market on hour shows.

But that doesn't mean it's something guild members are happy about. "We hear people saying all the time that they got a check for 75 cents," says Mark Locher, a spokesman for the Screen Actors Guild. "It's a subject that comes up in our boardroom regularly."

And now some studio executives are using the results of past union concessions to argue that the residuals payment structure is out of line for the half-hour broadcast-syndication market. With depressed prices in that market right now as a result of a product glut, the studios may see a limited window of opportunity to press that point further. To maintain credibility, they'll probably have to do it soon, before rapidly growing cable program budgets catch up to those in the broadcast-syndication marketplace—precisely what some people are expecting. In 1992, says the WGA's Slocum, "It could become a real focal point for the industry." •

HOME DISHES

Home Dish User Profile

With the announcement of Sky Cable and K Prime, such corporate heavyweights as TCI and GE have placed their considerable financial resources behind the direct-broadcast satellite business. But who will their customers be? A survey by Simmons Market Research Bureau in late 1989 sketches a demographic portrait of this still tiny delivery system (about 2.5 million users as of late 1989). Some highlights follow:

Mean household income	1989: $64,200	1985: $44,180
Percent earning $50,000 or more	1989: 43.8%	1985: 31.6%
College education	Dish owners: 45.6%	Total population: 37.5%

Equipment	Dish owners	Total population	Percent difference
Giant screen projection TV	10.8%	1.7%	535%
VCR	75.7	68.0	11
Camcorder	21.7	10.0	117
Laser disc player	7.2	3.8	89
Compact disc player	22.1	19.0	16
Home computer	35.5	23.0	54

Source: Simmons Market Research Bureau, Electronic Industries Association.

CABLE

What Counts at Systems?

Original programming is supposed to be the future of cable, but a survey of cable operators conducted last year by Myers Marketing & Research reveals a difference in opinion about original fare between ad-sales management and marketing management. Respondents were asked to rank the value of each program type to the system. The ad-sales side places greater value on off-net programming, while marketing considers made-for-cable productions more important.

Category (Network)	Overall	MSO Management	System Manager	System Marketing Manager	System Ad Sales Manager
Major League Baseball (ESPN)	1	1	1	1	1
NBA (TNT)	2	2	3	3	2
Theatrical first-run films	3	3	2	2	6
Made-for-cable series	4	4*	4	5	8
Entertainment programming	5	4*	5	4	9
Major event specials (TNT)	6	6	6	7	7
Major event specials (USA)	7	7	7	10	3
Cultural, performing arts, informational programming	8	8	8	6	11
New productions: off-net series	9	9*	10	9	5
Off-net high-profile series	10	11	11	12*	4
Business, consumer, financial programming	11	9*	9	8	10
Classic off-net series	12	12	12	12*	12

Source: Myers Marketing & Research. *Tie.

★ RATINGS ★

TOP NETWORK SERIES

First 38 weeks of season, Sept. 18, 1989, through June 10, 1990

SERIES / NETWORK	RATING / SHARE
1 Roseanne / ABC	22.3 / 34
2 Cheers / NBC	22.1 / 35
3 The Cosby Show / NBC	21.9 / 37
4 America's Funniest Home Videos / ABC	20.5 / 33
5 A Different World / NBC	20.2 / 33
6 Golden Girls / NBC	19.1 / 34
7 60 Minutes / CBS	18.9 / 33
8 Empty Nest / NBC	18.5 / 33
9 The Wonder Years / ABC	18.4 / 28
10 Grand / NBC	17.6 / 28

TOP BARTER SERIES

First 37 weeks of season, Sept. 18, 1989, through June 3, 1990

SERIES / SYNDICATOR	RATING
1 Wheel of Fortune / King World	14.2
2 Jeopardy! / King World	12.5
3 Star Trek: The Next Generation / Paramount	9.9
4 The Cosby Show / Viacom	9.3
5 The Oprah Winfrey Show / King World	9.3
6 Universal Pictures Debut Network / MCA TV	8.8
7 A Current Affair / 20th Century Fox	8.6
8 Wheel of Fortune (weekend) / King World	8.5
9 Entertainment Tonight / Paramount	8.3
10 Columbia Night at the Movies / Columbia	7.4

TOP CABLE NETWORKS

Average ratings / projected households, May 1990

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 TBS	1.6 / 873,000	1.9 / 1,036,000
2 USA	1.4 / 740,000	2.5 / 1,321,000
3 TNT	1.2 / 553,000	2.5 / 1,152,000
4 ESPN	.9 / 505,000	1.7 / 953,000
5 Nickelodeon	.9 / 464,000	.8 / 412,000
6 MTV	.7 / 361,000	.7 / 361,000
7 CNN	.6 / 331,000	1.0 / 551,000
8 Family Channel	.6 / 298,000	.8 / 397,000
9 TNN	.5 / 272,000*	1.0 / 523,000
10 Discovery	.4 / 202,000*	.9 / 453,000

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

Beaming Into Europe's Market

The explosion of European TV channels has meant a surge in the hours of programming aired. While program suppliers, particularly Americans, will continue to benefit, U.S. suppliers should temper their optimism—sales will be good, but not fantastic. There are formidable cultural and regulatory limits on U.S. sales growth abroad, and though U.S. and domestic purchases combined will total $4 billion and 40 percent of hours aired in Europe by 1999, increased demand will spur domestic production. Individual European Community markets remain far less profitable than the U.S. anyway: *Cosby* sold at $12,500 an episode to U.K. network Channel 4, compared to a top per-station price of $300,000 an episode stateside.

WESTERN EUROPE'S TV MARKET

	1989	1991	1993	1995	1997	1999
(In millions)						
TV households	126.3	127.7	129.4	131.2	132.4	133.2
Wired TV households	53.4	57.2	59.3	60.9	62.0	63.0
Self-produced	33 %	30 %	29 %	28 %	27 %	27 %
Independent/Coproduced	5	6	6	7	7	7
Purchased	36	39	39	40	40	40
Repeats	25	25	25	25	26	26
Total TV hours aired	483,670	602,285	616,635	624,585	630,760	636,735
(Dollars in millions)						
Self-produced	$7,510	$8,345	$8,330	$8,125	$7,920	$7,740
Independent/Coproduced	1,820	2,560	2,840	3,075	3,290	3,540
Purchased	2,925	3,790	3,835	3,925	3,985	4,050
Total TV program costs	$12,255	$14,695	$15,005	$15,125	$15,195	$15,330
(Dollars in millions)						
License fees	$7,260	$7,775	$8,105	$8,345	$8,555	$8,760
Advertising	10,195	12,505	14,450	16,075	17,295	18,330
Program sales	565	760	930	1,045	1,135	1,225
Other	1,235	1,460	1,610	1,780	1,925	2,015
Total Income	$19,255	$22,500	$25,095	$27,245	$28,910	$30,330

Source: Communications and Information Technology (CIT) Research Ltd. Countries included in this chart: The 12 EC countries (West Germany, the U.K., France, Italy, Spain, Portugal, Denmark, Belgium, Greece, the Netherlands, Luxembourg and Ireland), plus Switzerland, Austria, Finland, Sweden and Norway.

ILLUSTRATION BY JIM LUDTKE

HOANG NHU TRAN *was one of thousands of homeless "boat people" who came to America from Saigon in 1975. He was only nine years old at the time and didn't speak a word of English. But Hoang was determined to make something out of his new life in this country. And so he has. In 1987, he graduated at the top of his class from the Air Force Academy. He then went to Oxford University as a Rhodes Scholar. Now he is attending Harvard Medical School on a full scholarship to train as a surgeon. Hoang has vowed to serve mankind and pay back "many times more" what America has given to him. The story of Hoang Nhu Tran should be a reminder that America remains the greatest nation on earth, where boundless opportunities still exist for each and every one of us.*

Bill Daniels, 3200 Cherry Creek South Drive, Suite 500, Denver, Colorado 80209

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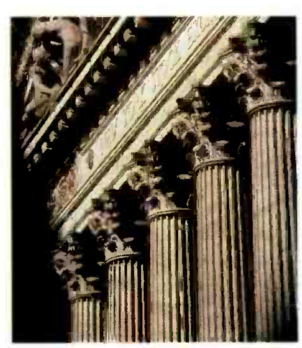

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