What's Hot in Television Marketing

CHANNELS

JUNE THE BUSINESS OF COMMUNICATIONS 1987

ACHIEVERS

The Annual Survey of the 90 Fastest-Growing Media Companies

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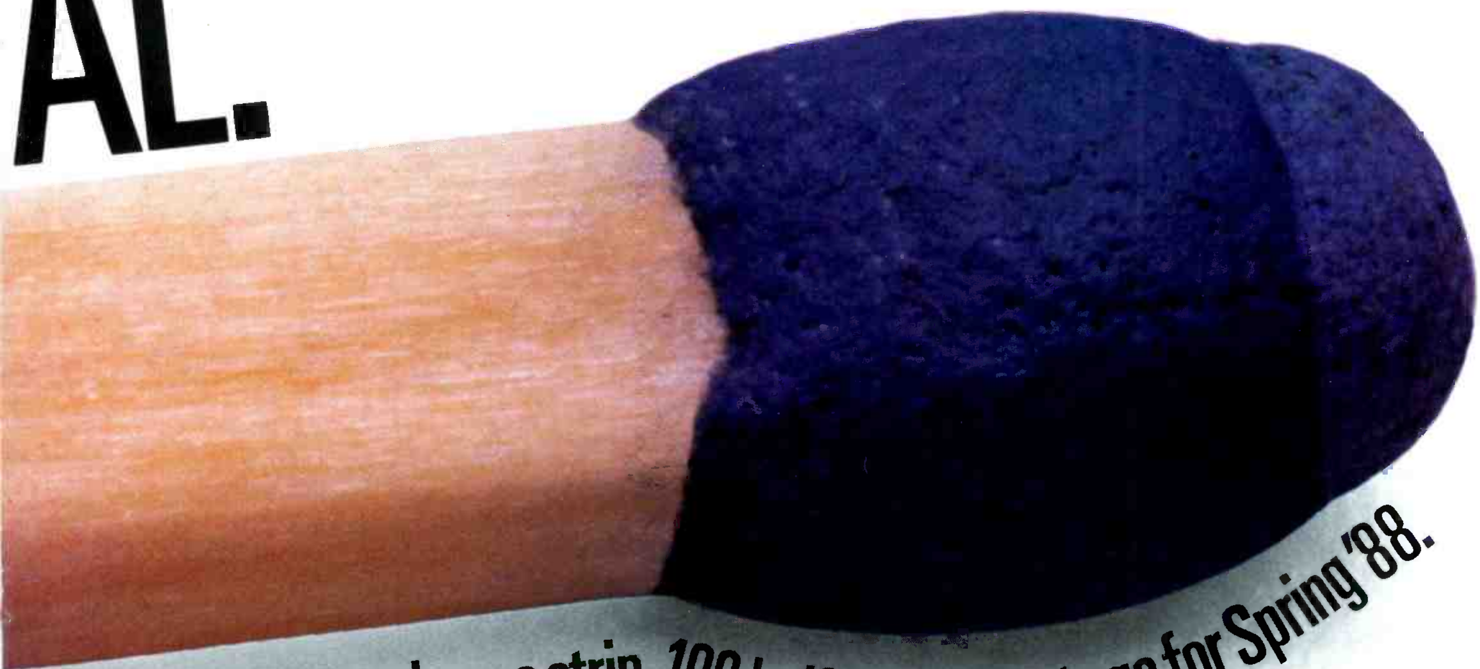

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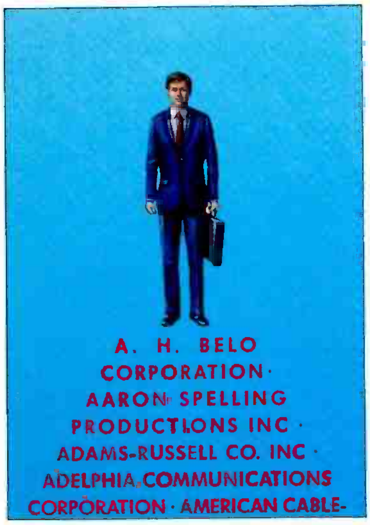
THE BUSINESS OF COMMUNICATIONS

VOL. 7, NO. 6 JUNE 1987



25 A year for the entrepreneur.

Cover illustration: Darryl Zudeck

The Hour.

All Hours are not the same. In today's marketplace, the differences are real and measurable —and can be counted in dollars and cents. That's what makes T.J. Hooker an undeniable value.

T.J. Hooker
The Hour

EDITOR'S NOTE

The Nature of Things

Television's calendar is somewhat out of phase with nature's. Nature is in full flower in June, its big season only beginning. Just the opposite with television: Its season has just ended and the planting begun for the next. Nature bids us to look forward in June; television has us looking back to what just happened.

So we look back, with this issue of *Channels*, on the companies that did best in the last year from a financial point of view, because these are likely to be the companies that shape the near future of electronic communications.

Which ones hit the jackpot in 1986? Which ones came out of obscurity to become formidable players? Which are most attractive to investors, and why? We call these The Channels Achievers. This special section is topped with profiles of four chief financial officers, the men behind the scenes who implement their CEOs' ambitious plans.

The tabulations on the Top 90 television-related companies, as measured by revenue growth, are a *Channels* exclusive, initiated last year. Compiled under the guidance of our executive editor, Merrill Brown, the listing of Achievers is a regular June feature in this magazine—making it the only place where companies in the field can see how well they're doing and where they rank in relation to others in the industry.

With the phenomenal Home Shopping Network in the lead, based on its 1986 performance, this year's Top 10 of growth achievers includes four independent production companies, a network corporation, one media group owner, a radio syndicator and two of the front-running TV syndication firms. The listings and breakouts are highly revealing of where the money and power in television lie today.

Also notable in this issue are two new departments: Jean Bergantini Grillo's Market Eye, a close-up study of the competition in significant television markets, and Ellen Berland Gibbs' Media Deals, in which the veteran Wall Street observer analyzes the significant business transactions of the moment.

Our In Focus section is keyed this month to the Broadcast Promotion & Marketing Executives' conference in Atlanta, highlighting some of the most effective promotional campaigns of the past season.

And as for looking forward from June, since that is when the real work for the new television season gets underway, we offer what we believe to be the most penetrating article ever written on the role of the talent agent in network programming. It's by James Traub, one of the most stylish writers among our contributing editors, who focuses his entertaining story on Marty Hurwitz, a hot young packaging agent at ICM.

As you will see, *Channels* is in full flower in June. In that respect, we're in perfect sync with nature.

Les Brown

CHANNELS
THE BUSINESS OF COMMUNICATIONS

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LETTERS

Rethinking an Investment

I read your December Field Guide article on Elton Rule and Martin Pompadur ["Ten to Watch in '87"] with great excitement. Suddenly here was an opportunity for a person of moderate means to own an interest in television stations and cable systems, to participate in the fabulous wealth of our industry.

But after reading the prospectus of Merrill Lynch Media Partners and talking with one of the people from whom they purchased one of their properties, the glamour of this venture quickly faded. As part of their plan to run spartan operations, I was told that ML Media Partners had terminated the retirement program at one of their new properties, KATC-TV in Lafayette, La. Their interest (they will sell their properties in five to eight years) apparently does not include supporting employee pension plans. Some of the profits their investors will realize will apparently come at the direct expense of their employees.

I have seen great extravagance in television, and it is something that can certainly be trimmed. I know that many people are highly paid, and there is room for cutting there as well. A retirement plan, however, is something that has always struck me as a basic obligation of an employer.

David Shapiro
WWL
New Orleans, La.

The retirement plan at KATC was canceled by the station's previous owner, Loyola University, as a precondition of sale to another buyer. When that deal fell through, ML Media Partners bought the station. ML's Martin Pompadur says his group will meet with employees next month to talk about a retirement program, pension plan and "other matters." —*Ed.*

Unencountered Enemies

It would appear that producer Gary David Goldberg, as quoted by Patricia E. Bauer in "How to Win Friends and Influence TV" [January], is anxious to be admired by all sides.

Responding to the assertion that right-wing groups are irked at liberal access to network decision-makers and that right-wingers may be putting greater pressure on the creative community, Goldberg voices his anger and states that he "has a right to put his ideas into the marketplace."

Indeed he does. But it would appear that as the producer of the only prime time entertainment show (*Family Ties*) that continually espouses conservative political and economic theories (let's hear it for Reagan, Nixon and Milton Friedman), he has very little to fear from such groups. But I can sympathize with Goldberg's position. I know the paranoids are after me too.

Clayton Baxter
Malibu, Calif.

Peerless Bayles

In the sidebar to the article on Tom Shales ["Whose Afraid of Tom Shales?" February], which dealt with the other TV critics of note, I was startled at the omission of Martha Bayles of *The Wall Street Journal.*

Your writer said that her colleague, George Higgins, was witty and urbane. I agree. But if you want real wit and real urbanity, you should read Bayles. I can't help but think your writer or editors may have made an honest mistake catching only Higgins' byline and overlooking Bayles'.

R.S. Marandino
New York, N.Y.

Chastening Words

Mark Frankel's convoluted and illogical reasoning on the subject of comparative renewal in the April Reports section does a disservice to all over-the-air broadcasters. To say that the reason for our interest in a public-interest standard is to discourage new investment in over-the-air broadcasting and somehow to hurt "new independents and weaker affiliates" is ridiculous.

It not only ignores the clear and overriding argument that local broadcasters uniquely earn their licenses by meeting the "public-interest, convenience and necessity," but it gratuitously omits the history of comparative renewal's crippling of some of the best broadcasters by those politically motivated segments of the community most damaged when courageous broadcasters devote themselves to crusading news and public affairs. Or, as in the case of Post-Newsweek, when their parent companies incur the wrath of an administration determined to cripple a news company that happens to operate broadcast stations and thus is vulnerable to the kind of unprincipled attack uniquely afforded by the comparative-renewal statute.

For *Channels*, of all publications, to miss the point and to distort the effort is truly unfortunate.

Joel Chaseman
President
Post-Newsweek Stations
Washington, D.C.

Coming to NAB's Defense

Mark Frankel's highly critical assessment of NAB's Washington effectiveness ["The NAB's Low-Power Signal," March] contains two quotes from me that deserve amplification. As printed, their context is misleading

The analogy I gave characterizing the NAB as a "Chevy" as opposed to a "Cadillac" referred to NAB's breadth of membership—from small-market radio to network television. It had nothing to do with performance and was in direct response to a question on why NAB doesn't exhibit the glitter of the motion picture lobby. NAB does appropriately reflect its constituency. Its rank and file is middle America.

The second quote is similarly off the mark. I was asked if withdrawal from membership by a major company was NAB's greatest institutional fear. My answer, based on experience, was given as a constant potential problem and not as a *fait accompli*. The hypothetical challenge, as I posed it, is: Will broadcasters belong to NAB for the "good of the order," similar to a chamber of commerce, or as their first and most effective line of defense? It seems to me that the record speaks for itself.

In the decade that I have proudly been associated with NAB, massive deregulation and license-extension legislation occurred, while no serious outside threats, from mandated programming quotas to beer and wine ad bans, were successful. These achievements are dismissed in your report as inconsequential. I disagree.

Several unattributed negative assessments are liberally quoted. As one of the few "on the record," I hope this sets my comments straight.

Finally, running against Washington to achieve office is certainly not new. Eddie Fritts merely joins our last two presidents and countless other who have employed the technique.

Shaun M. Sheehan
Vice President
Tribune Broadcasting Co.
Washington, D.C.

Television and Gays

Thank you very much for William A. Henry III's excellent article, "That Certain Subject" [April]. As a gay man I have long been frustrated by the unfairness of the broadcasting media.

Stations all over the country allow fundamentalist TV preachers like Jimmy Swaggart and Jerry Falwell to gay-bash in the name of religion, allowing them to air tired stereotypes (gays as child-molesters) as scare tactics to raise money.

Furthermore, on TV any discussion of gay issues always has to be "balanced" by an antigay bigot, therefore insuring that all such shows never get beyond the "mopping up" stage, with gays spending the whole show correcting the usual misinformation. It's like insisting that shows about the black community always include a KKK member for balance.

News reports frequently use the terms "gay murder," "homosexual rape," etc., but never "straight murder" or "heterosexual rape." And you never see a positive profile of a gay person to offset this. Indeed, when the local philanthropist or volunteer who happens to be gay is profiled, he's called a "bachelor" (if anything). Maybe it's not the media's fault (such people are usually closeted by their own choice), but nevertheless the effect on the public is to always hear about gays in a negative context.

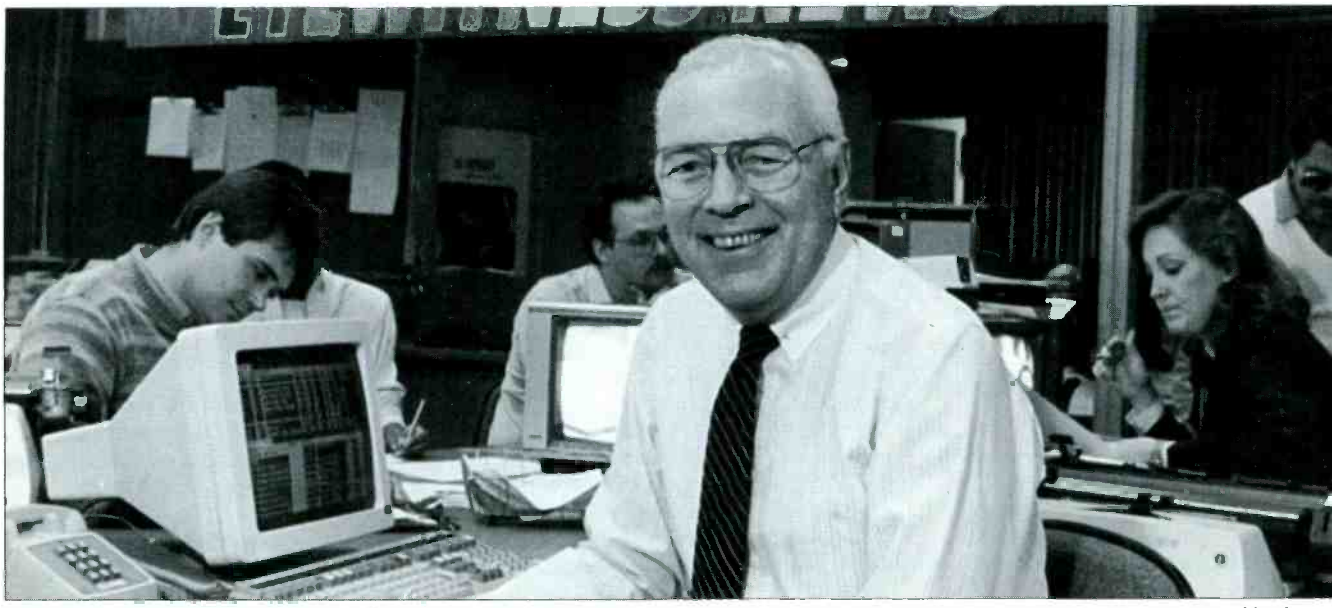
Even though, as your article stated, gays are a far bigger minority than blacks, we are expected to be grateful for the few crumbs thrown our way, like *Dynasty*'s gay-today, straight-tomorrow Steven Carrington. And in most other cases the networks and local stations allow the community's vocal bigots to control what the public sees, or more appropriately doesn't see, about gay people.

William Stosine
Moline, Ill.

CORRECTION

The Ford Foundation's Ted Anderson was inadvertantly omitted from February's media analysts chart. *Channels* regrets the error.

REPORTS



HUTCHINS/THE BALTIMORE SUN

WJZ's evening newscasts with Turner have dominated the market for a decade and still draw as many viewers as the two competing programs combined.

Baltimore's Favorite Anchorman Returns Despite Serious Malady

Jerry Turner goes on the air when his health permits.

Jerry Turner has been the main news anchor at WJZ-TV in Baltimore since 1968 and one of the nation's top-rated local newscasters for the past decade. But last November it was his longtime coanchor, Al Sanders, who reported one of the city's biggest media stories of the year: Jerry Turner, 57, has cancer of the esophagus, a disease that is usually fatal.

Turner was in the hospital that day and didn't watch the newscast, but he has missed only a few broadcasts since his illness was diagnosed. His silver hair thinned by chemotherapy, Turner returned as soon as possible to his usual post for the 6 and 11 P.M. newscasts. Since November the side effects of this treatment have forced him off the air for a total of nine weeks; radiation sometimes left him slightly raspy or even speechless for several days. "I don't like to go on hoarse, because it makes the audience uncomfortable," Turner says. On those days, Turner comes into the office to help write the scripts for both broadcasts.

In the meantime, WJZ, an ABC affiliate owned by Group W, has put in Denise Koch to coanchor with Sanders at 6 P.M. or with Sanders or Turner at 11. (Turner previously anchored the 11 P.M. show alone.) "Jerry's situation is difficult to handle," says general manager Jonathan Klein. "Our concern is that he gets the proper time off for treatment. We're doing it day by day."

Turner and the station's news team are a major reason for WJZ's dominance in Baltimore's local TV news. Though WJZ's ratings have slipped slightly since Turner's illness was announced—perhaps due in part to ABC's generally poor showing—the station's evening newscasts still far outdistance their rivals. The 6 P.M. program draws as many viewers as the two competing newscasts combined: WJZ averaged a 21 rating and 36 share in February, compared to a 12/20 for WBAL, the CBS affiliate, and a 9/15 for WMAR, the NBC outlet. WJZ's lead among the late newscasts was almost as great: 17/40, compared to 10/23 for WBAL and 8/19 for WMAR. And those larger audiences translate to ad rates 80 percent higher than those charged by the closest competitor at 11 P.M.

Turner, Sanders and weatherman Bob Turk have been bringing Baltimoreans the news for years, and familiarity has bred a comfort level that is immediately apparent to viewers. Turner says he dislikes "happy talk," but admits that he and his team do their share of ad-libbing—and asserts that, unlike the conversation heard on some other stations, theirs is believable. "You can't force it," he says. "It's real or it's not real."

The patter may be easy but it's not slick. Ron Shapiro, a lawyer who represents a number of media figures including Turner, says local viewers go for the tall, slim anchorman because he has "a very down-to-earth style that appeals to a town like Baltimore." As Turner himself says, "No one here tries to look like a TV clone anchorman."

Once a trumpeter in Woody Herman's band and later a newspaperman, Turner has covered his share of national party conventions and space shots. Now, he notes ruefully, he's staying closer to home—he had to abandon plans to go to Russia with the Baltimore Symphony Orchestra. And other reporters are coming to him with questions about his health. "It's not very enjoyable. But I understand. I'd do the same thing myself." SANDRA SALMANS

The Trouble With CBS' Stations

Corporate chaos has thrown the once elite onto hard times.

Mention the A.C. Nielsen Co. to CBS station group president Eric Ober and prepare for an earful. With all four CBS owned-and-operated TV stations in third place according to Nielsen, Ober rages about the ratings service, claiming Arbitron Ratings' numbers are a truer reflection of the group's performance.

The fact is, though, that Arbitron does little more for the beleaguered station group. It ranks KCBS Los Angeles, WBBM Chicago and WCAU Philadelphia third overall in their markets, and has WCBS New York tied for second.

Once the elite of the field, CBS' owned stations have fallen on hard times, their drop in popularity paralleling the advent of the network's own troubles. KCBS has been trying for 12 years to regain top billing in Los Angeles. But for the other CBS stations, battling for second place in highly charged markets is a relatively recent phenomenon.

Wall Street is also showing wariness. Although CBS station revenue increased 5 percent during the first quarter of 1987, according to a First Boston report, all but WCBS gave up revenue and ratings share to competitors—a trend First Boston expects to continue. And as Butcher & Singer analyst Ken Berents points out, Capital Cities' purchase of ABC has pitted both NBC and CBS against a formidable foe whose new management made its reputation running stations.

CBS corporate troubles started three years ago with Ted Turner's takeover bid and set the tone for the stations. To help it out of financial straits brought on by Turner, CBS was forced to sell its St. Louis station. The move contributed to a deflating company morale, put CBS at a competitive disadvantage with its o-and-o national coverage reduced to 19 percent and, with owned stations the heart of the broadcast group (expected to contribute a reported $380 million in revenues this year), put pressure on the remaining stations to perform.

In the meantime, CBS' leading prime time schedule headed south as NBC came on strong. With a problem-ridden morning program, an underperforming daytime lineup and a floundering late-night schedule, the stations—in the country's top metro markets where the rural-skewing CBS has problems to begin with—had scant support from the network, while the network was crying for high returns from the stations' early fringe and local news hours to bolster prime time lead-ins.

To help drive viewing during those hours, CBS acquired *America*, a variety program it encouraged stations to carry. The show landed with a thud in September '85 and was canceled by January '86. Of the owned stations, only WCAU didn't carry it. "*America* was the key disaster that set up the problems with the station group," says a CBS insider who estimates the financial loss at $25 million. "The worse loss is that it murdered stations' news operations: News lead-in numbers dropped by as much as 50 percent." The lapse also set stations back in acquiring high-rated syndicated shows such as *Wheel of Fortune* (only WCBS has *Wheel*). During this time, the *CBS Evening News* started its ratings descent, and Oprah Winfrey was helping to secure first place for ABC early fringe, especially in Chicago and New York.

CBS' o-and-o problems have been most apparent at KCBS. In the last ten years, it has had ten general managers and ten news directors. It also had its own home-grown programming disaster: the attempt to recapture the local news lead with its "news wheel" format last fall. The show was canceled after five weeks and executives associated with it fired.

Turnover at the station has been so high observers call it "general managers' wheel."

CBS management's tendency to clean house at signs of ratings weakness is not unique to KCBS. WBBM and WCAU have had frequent upper-level staff changes as well. Critics charge that CBS GMs and news directors are given little time to turn ratings around and that new programs have no chance to develop. Critics also say that CBS stations, except for Phiadelphia, are not involved in their communities (last year Chicago blacks boycotted WBBM, and KCBS is having problems with L.A.'s Hispanics), and staffers resent CBS dispatching New York executives with "New York attitudes and answers" to fix what they see as local problems.

What will it take to turn the group around? For the CBS stations, it may take stronger programming and leadership. Says an insider: "The need for network profitability is great now, and the station group is the lynchpin. It's dicey and as far as I can see, there's not a single statesman in the crowd."

CECILIA CAPUZZI

CBS' Stagnant Stations

MARKETS*	ARBITRON		NIELSEN	
	4:00 P.M.-7:30 P.M.	SIGN-ON-SIGN-OFF	4:00 P.M.-7:30 P.M.	SUN-SAT 7 A.M.-1 A.M.
New York				
WCBS	8/17**	6/18	7/14	7/17
WABC	9/19	7/20	11/21	8/21
WNBC	6/13	6/18	8/16	8/19
Los Angeles				
KCBS	4/8	5/14	5/9	6/15
KABC	8/17	7/19	9/17	8/19
KNBC	6/12	6/17	8/15	8/19
Chicago (one hour earlier)				
WBBM (CBS)	5/11	5/14	6/14	6/15
WLS (ABC)	11/26	10/26	12/26	11/27
WMAQ (NBC)	8/18	7/18	8/17	7/18
Philadelphia				
WCAU (CBS)	7/13	7/17	6/12	7/17
WPVI (ABC)	18/34	10/27	17/33	11/26
KYW (Group W, NBC affiliate)	8/16	7/19	9/17	8/20

*February 1987 sweeps **rating/share

Will Checkerboarding Survive?

The heat is on for KNBC-TV promotion chief Vince Manze.

Sometime next month, NBC's five owned-and-operated stations will launch an expensive and risky campaign to promote their fall lineup of checkerboard sitcoms, hoping to scotch critics' predictions that checkerboarding is a doomed format for prime time access. While the results of the campaign will not be known until the fall, they could make or break the career of the man NBC chose to create the checkerboard promos for all five stations.

He is Vince Manze, director of broadcasting and promotion at KNBC-TV in Los Angeles, whose off-beat, often controversial promos have helped KNBC climb out of third place and challenge market leader KABC over the past several years. Manze, 39, a Philadelphia native and former stand-up comic, is intensely aware that a skeptical industry is watching his every move. "Nothing is more important to me than this campaign," he says. "It's not the shows but the promos that will determine the success of the experiment."

About ten stations across the country have introduced checkerboard schedules during the past two seasons, generally to mixed results. Perhaps the most successful was Los Angeles independent KTLA, which climbed from sixth to third place during the 7:30 time slot after it introduced checkerboarding.

For affiliates, the development symbolizes an important trend in programming that stations in other markets will be following closely. The phenomenal success of *Wheel of Fortune* has forced rival affiliates to come up with alternative program strategies in early-evening access. Because the Federal Communications Commission's Prime Time Access Rule prohibits affiliates in the top 50 markets from running off-network shows, many have been forced into the first-run syndication market.

The NBC stations' plans for this fall are by far the most ambitious attempt to apply the concept in major markets, and they will embark on checkerboarding with several advantages that other stations do not have. The programs in their lineup—Paramount's *Marblehead Manor*, MCA's *Out of This World*, Lorimar-Telepictures' *Suddenly Sheriff*, Fred Silverman's *We've Got It Made* and LBS's *You Can't Take it With You*—were selected from an offering of 74 sitcoms. This allowed the stations to choose shows that have strong appeal in all five markets and to steer the demographics toward the desirable 18-to-34 age group.

Manze thrives on wacky antics and MTV-like graphics, and he promises a humorous, "breakthrough" campaign that will make viewers sit up and take notice. The campaign's initial phase will be "generic," says Wes Harris, vice president of programs for the NBC stations. "We'll make the point that prime time will begin on the NBC stations at 7:30 P.M." The second phase will promote the five shows as a horizontal strip that builds excitement as the schedule progresses through the week.

"We'll deal with laughter—every night will be laughter," says Manze. "We're packaging the time period as something completely different."

The third phase, produced in coordination with the five syndicators, will feature original teaser spots using the sitcoms' stars. Rather than air clips from the shows themselves—which Manze considers too ho-hum—the spots will pull an interesting theme from each show and emphasize its importance for the program's entire image. A spot for *Out of This World*, for instance, might talk about why the star has supernatural powers.

It may take more than supernatural powers, however, for the NBC o and o's to succeed. Unlike the networks, which essentially checkerboard sitcoms against other sitcoms, the NBC stations will be competing against strips. That makes the strategy especially difficult, and skeptics abound from many quarters. "It's not impossible to succeed," says Robert Jacquemin, senior vice president of Disney's Buena Vista Television. "It's just not likely."

PAMELA ELLIS-SIMONS

Who *Are* These Guys, Anyway?

The FCC cracks down on false-front license applicants.

At least a few key officials at the Federal Communications Commission are fed up with "false fronts" applying for broadcast licenses and aren't going to take them anymore. The crackdown has been noticed over several months in various FCC decisions.

In a typical false-front situation, the prime mover behind a license application hides behind a partner or another company that, because of FCC rules, has a better shot at getting the license. Communications attorney Peter Tannenwald estimates that at least half the applicants in competitive hearings are false fronts.

The commission crackdown has been detected most often in rulings from the influential three-judge review board that handles appeals of decisions by the FCC's frontline administrative law judges. Condemning "corporate legerdemain," the board knocked out applicants for FM licenses in Newark, N.J., Evergreen, Colo., and Garden City, N.Y., finding patterns indicating the applicants were actually controlled by supposed silent partners.

Controversies now in the FCC pipeline may also force the commission to tackle an issue it has avoided for more than a decade: the incursion of profitable religious broadcasters, using nonprofit false fronts, into channels set aside for public TV and radio. Family Stations, for instance, is said to be the center of a religious consortium with 17 radio licenses, 21 construction permits for radio and one for TV, and 43 pending applications.

The commission is also taking greater interest in the money behind applicants. It announced in March that it would start spot-checking applicants' financial ability to put a station on the air—six years after putting applicants on an honor system.

MICHAEL COUZENS

Feds Pursue Cable Antitrust Probe

Do cable operators have a lock on program services?

The Justice Department's two-year-old investigation of the cable TV industry is moving into new territory this spring, months after many had assumed it was kaput. Antitrust staffers are trying to determine whether cable operators' investments in national program services have squelched competition and inflated consumer prices in TV distribution, according to executives who have been interviewed.

Justice staffers are asking in particular whether the recent purchase of a 35 percent interest in Turner Broadcasting by 17 or more major MSOs will give cable an unfair advantage over satellite master antenna (SMATV) and MMDS microwave TV operators. Under TBS's present policies, they can buy its networks, but usually at higher rates than paid by cable operators of similar size.

Turner's three program services are but the latest of 27 part or wholly owned by MSOs—including HBO and Showtime. New York Law School professor Robert Perry sees a vertical-integration case similar to Hollywood's ownership of theater chains before government-required divestiture in 1948. "Forty years later," Perry says, "the same thing is happening again."

This time, however, many observers expect the investigation to come to nothing. Cable industry spokesmen say there's no antitrust violation to investigate. And critics of the cable industry say Reagan appointees are lax in antitrust enforcement. "My judgment is that they're going to do nothing," says Jack Valenti, president of the Motion Picture Association of America. Indeed, antitrust challenges to mergers in all industries has fallen by three quarters, even though mergers have quadrupled, according to New York state attorney general Robert Abrams.

"We have no reason to believe the Justice Department's heart is in it," says Roy Neel, legislative director for Sen. Albert Gore Jr. (D-Tenn.). Yet, he says, the existence of the probe delayed attempts at legislation last year. "When we had an amendment up for vote last September, Republican senators repeatedly referred to the investigation as an excuse not to act legislatively." Again this year Gore is cosponsoring a bill to ensure backyard dish owners' equitable access to programming.

That was the focus of the antitrust probe when it began in 1985, but investigators are now looking into complaints from SMATV and MMDS operators. The conflicts that arise when MSOs affiliate with program services have been highlighted already in several private antitrust suits. In one, a small SMATV operator in Rochester, N.Y., Monroe Satellite TV Corp., is suing Time Inc. to get access to HBO. When Monroe asked to carry the movie service, HBO referred it to the local cable company against which it competes—and which is, like HBO, a corporate child of Time Inc.

STEVE BEHRENS

Pay TV's Descrambling Wars

Four cable giants take home dish advocates to court.

While the advent of cable scrambling stalled home satellite-dish sales, it only provoked efforts by several groups to thwart the highly sophisticated scrambling technology introduced last year by the cable programmers. Now one of the most visible of these groups, a small New Jersey satellite programming service called Network Productions Inc., has been taken to court for encouraging dish owners to alter their equipment in order to receive cable programming free of charge.

The list of plaintiffs in the civil suit filed before a U.S. District Court in Florida this spring reads like a Who's Who of the pay-TV industry. The complaint was filed by General Instruments, which manufactures the Video-Cipher II box that descrambles the signals of the cable programmers; M/A-Com, which invented the device; and HBO and Showtime, two of its major users. They charge Network Productions with violating the Communications Act and infringing on the copyright of the Video-Cipher II. They are seeking $5 million in punitive damages.

General Instruments claims that Network Productions illegally promoted "pirate" chips which, when installed in the Video-Cipher II, permit dish owners to receive cable programming without paying. The manufacturer also charges that Network Productions participated in a "descrambling summit" in the British West Indies in January, where more than 300 of the chips were distributed to participants.

It is illegal to import such chips into the U.S., and the Customs Service was alerted by a General Instruments employee who attended the conference. Returning to Florida, participants' chips were seized by customs agents.

The plaintiffs also charge that *Boresight News*, a weekly newscast for dish owners produced by Network Productions, promoted the summit and encouraged viewers to alter the Video-Cipher II. Shaun Kenny, the president of Network Productions, and journalist Karen J.P. Howes are the coanchors of *Boresight News* and both have been named as defendants in the case. During one segment last December, Kenny demonstrated how to install a socket that houses a pirate chip, even offering to do it himself for $39.

"That's a violation of the Communications Act," says Alan Blankenheimer of Phoenix, one of the attorneys for the cable plaintiffs. "You can't induce anyone to infringe upon a copyright."

Kenny denies that he was involved in importing the chips and will base his defense on his First Amendment rights. "My clients have a right to disseminate information on the industry they cover," says Washington attorney Joel Wolfson, who is defending Network Productions. "The jury will have to decide whether they acted as journalists or white-collar criminals."

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HSN's team at ground control has the seasoned veterans who'll supply the Cable System Operator with a flight-plan-to-profit.

Carry HSN 1, our decorated Officer and HSN 2 our hot new Ace, and bank on a revenue source that is exclusively available to Cable Operators with HSN.

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★ Commissions shown represent the average actual commissions earned per month per cable system, based on a total survey sample of affiliated systems over a 3 month period.

What's On

J • U • N • E

Shop Till You Drop

by Cecilia Capuzzi

JUNE 15: MCA Television Enterprises and **Home Shopping Network**'s ***Home Shopping Game*** show debuts. Cohosted by former ***Let's Make a Deal*** announcer **Dean Goss** and HSN host **Bob Circosta**, the half-hour show is carried on all four **CBS** owned-and-operated stations and reaches 70 percent of the country. **Ken Kragen Productions** produces the program's five-day-a-week, 52-week run. Like HSN, the game show splits proceeds with the station, turning over 3 percent of revenues from all merchandise sold in the station's market, says MCA TV Enterprises president **Shelly Schwab**. The show is barter syndicated: three minutes for national sponsors and four for local.

. . . .

JUNE 15: Cable networks **CBN**, **Lifetime**, **MTV**, **Nickelodeon** and **USA** distribute fully scrambled signals and charge backyard dish owners for their services. Now 27 services scramble their signals and charge for it, some available individually and others available only in packages. USA Network and **Viacom International** services Lifetime, MTV and Nickelodeon can be received by dish owners in a package of 12 basic services plus **Showtime** for $11 a month. CBN alone costs $15 a year. Today there are more than two million dish owners in the country. When **HBO** scrambled its signal last year, the dish industry, which looked like a boom business (90,000 units a month sold), came to a virtual halt, sales plummeting to 10,000 a month. Now they've rebounded to 25,000, and dish owners have buckled under cable's pressure and the government's assurance that picking programming off satellites without paying is theft: "You'll always get a small segment who plead 'free my airwaves,' " says **Satellite Broadcasting and Communications Association**'s **Christine Gliozzo**. "But the majority now say 'Give me a fair price.' "

. . . .

JUNE 18-21: **NATPE**'s **Annual Production Conference**, at the Opryland Hotel in Nashville, focuses on ways to get around the high cost of TV production, the chief concern of local producers and technicians—as it is with others in almost every sector of television. "They want to know how not to spend a lot of money and still get a great job done," says NATPE's **Andy Duca**. Sessions focus on low-budget remotes and cost efficiencies associated with animation, labor, set design and computer editing. **Brower Assocs.' Bill Brower** gives a special seminar on management techniques. The three-year-old conference differs from NATPE's spring programming show because it showcases production equipment.

. . . .

JULY 24: **Conus Communications'** live, five-hour special on AIDS, ***The AIDS Connection: An All-Night Dialogue***, is aired 11:30 P.M. to 4:30 A.M. on 80 stations clearing 70 percent of the country. With some four million Americans infected by AIDS, Conus' **Charles Dutcher** says the company, with its capabilities, felt an obligation to act as a "clearinghouse" for information on the disease. The program is targeted to 16-to-34 year olds and is being sold by **Syndicast**, which is looking for four corporate sponsors to purchase the show's 40 minutes of ad time for a total $480,000. The $200,000 venture ties together taped inserts from participating stations with live broadcasts from safe sex clubs, prisons, brothels and AIDS hospices along with celebrity eulogies. **Liz Taylor**, for example, could talk about **Rock Hudson**. "It's a touchy-feely kind of show," explains executive producer **Anita Kleever**.

CALENDAR

June 14-17: Southern Educational Communications Assn. conference and board meeting. Marriott's Harbor Beach Resort. Fort Lauderdale. Contact: Linda Cothran, (803) 799-5517.

June 16-20: Beijing '87 International Advertising and Marketing Congress. Seminar titled "The Media and the Message: The Latest Developments in World Communications" features Turner Broadcasting's Ted Turner, Michael Jay Solomon of Lorimar-Telepictures and Roger Enrico of PepsiCo. Great Hall of the People. Beijing, China. Contact: Jack Fogarty, (212) 682-8714.

June 17: IRTS meeting and presentation of Broadcaster of the Year award to the late William B. Williams. Waldorf-Astoria. New York. Contact: Marilyn Ellis, (212) 867-6650.

June 18-20: Univ. of Texas and Howard Univ. conference on minorities and communications. Howard Univ. campus. Washington, D.C. Contact: Mary Carter Williams, (202) 636-7491.

June 18-23: American Film & Video Festival sponsored by Educational Film Library Assn. Vista Int. Hotel. New York. Contact: Sandy Mandelberger, (212) 227-5599.

June 21-26: Leadership Institute for Journalism Education conference sponsored by Gannett Center for Media Studies. Gannett Center, Columbia Univ. New York. Contact: Jane Coleman, (212) 280-8392.

June 22-25: Fiber optics and satellite technology seminars sponsored by Phillips Publishing. Back Bay Hilton. Boston. Contact: Brian Bigalke, (301) 340-2100.

June 24-26: American Assn. of Advertising Agencies media seminar. Helmsley Hotel. New York. Contact: Beverley Plyer, (212) 682-2500.

June 25: "Employment: How Bleak is the Picture?" part three of the New York Television Academy's *Television in Crisis?* series. Mark Goodson Theatre. New York. Contact: Debbie Feldstein, (212) 765-2450.

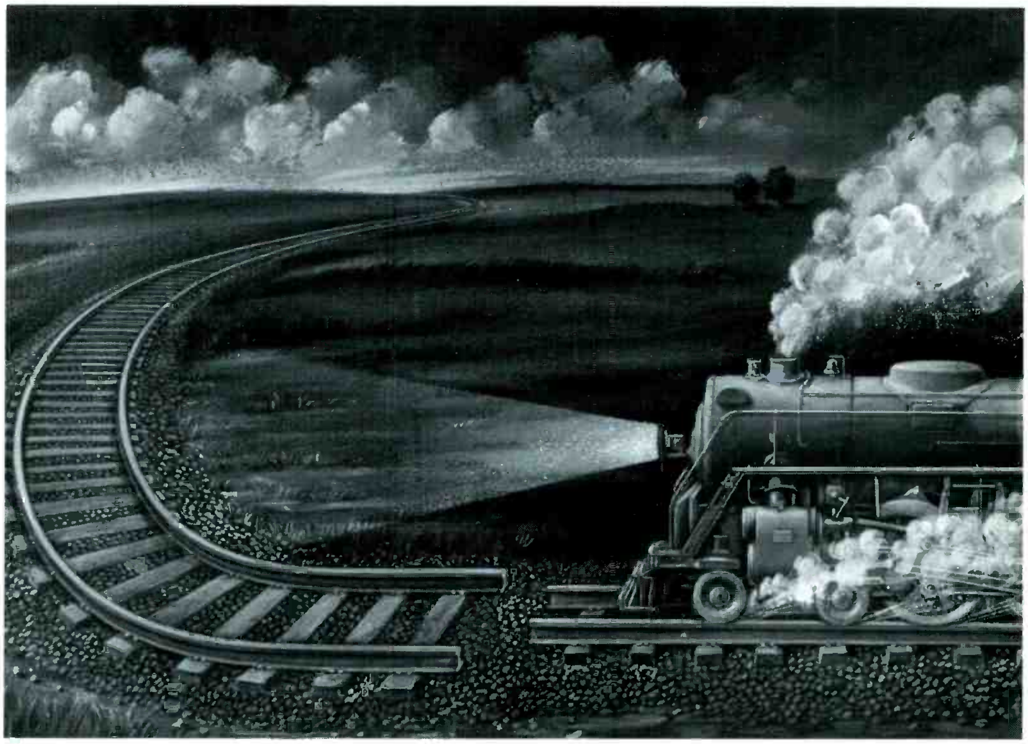
June 26: Radio-Television News Directors Assn. regional conference co-sponsored with Society of Professional Journalists. Hyatt Regency Capitol Hill. Washington, D.C. Contact: Jane Rulon, (202) 659-6510.

July 12-17: National Assn. of Broadcasters management development seminar for radio executives. Univ. of Notre Dame. South Bend, Ind. Contact: Ed Huse, (202) 429-5374.

July 15: Deadline for replies to FCC proceeding proposing relaxation of provisions of broadcast multiple ownership rules. Contact: Andrew Rhodes, (202) 632-7792.

Issues of the Information Age:

The way beyond Babel.



Imagine trying to build a railroad system if every locomotive manufacturer used a different track gauge. Every local stretch of railroad had its own code of signals. And in order to ride a train, you needed to know the gauges and the signals and the switching procedures and the route and the conductor's odd pronunciation of the station names.

The business of moving and managing information is in a similar state today. Machines can't always talk to each other. Proprietary systems and networks abound, with suppliers often jockeying to make theirs the de facto standard. The enormous potential of the Information Age is being dissipated by incompatibility.

The solution, as we see it, is common standards which would allow electronic systems in one or many locations to work together. People will be informed and in control, while the systems exchange, process, and act on information automatically.

AT&T is working with national, international, and industry-wide organizations to set up comprehensive, international standards to be shared by everyone who uses and provides information technology. We think it's time for everyone in our industry to commit to developing firm, far-reaching standards. The goal: to provide our customers with maximum flexibility and utility. Then, they can decide how and with whom to work.

We foresee a time when the promise of the Information Age will be realized. People will participate in a worldwide Telecommunity through a vast, global network of networks, the merging of communications and computers. They'll be able to handle information in any form—conversation, data, images, text—as easily as they make a phone call today.

The science is here now. The technology is coming along rapidly. But only with compatibility will the barriers to Telecommunity recede.

Telecommunity is our goal. Technology is our means.℠

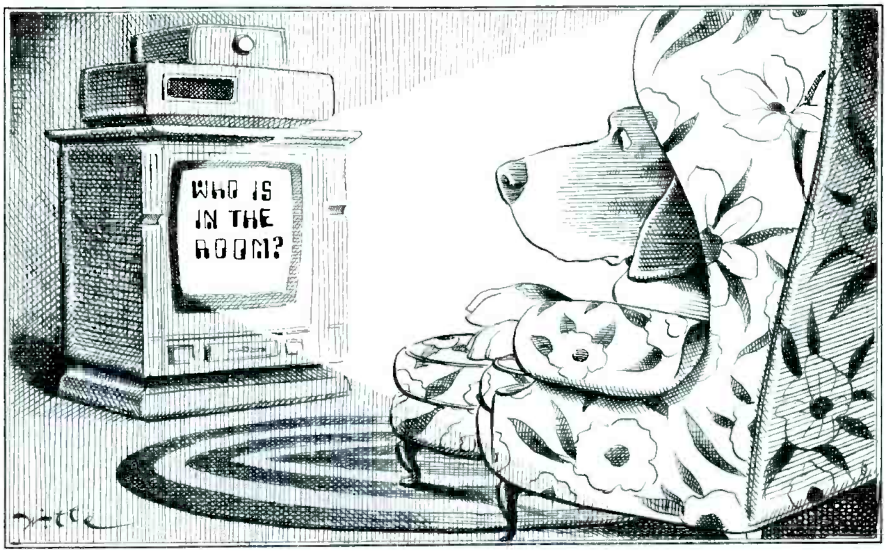
We're committed to leading the way.

AT&T

Perfecting the Body Count

by Rich Barbieri

The latest people meters know how many folks are viewing, but can only *ask* who they are.



MICHAEL WITTE

"No one watches what's happening on television as closely as R.D. Percy and Co.," brags the research firm's motto. And few in the TV ratings industry are being watched as closely as Roger Percy, as he begins offering the first-ever audience estimates for TV commercials this summer. Says Helen Johnston, media analysis director at Grey Advertising: "Everybody is very, very curious."

Percy, a high-energy former McCann-Erickson adman who set up a small qualitative ratings service in Seattle 11 years ago, will tell clients how many viewers in the New York market stay in front of their sets for each commercial and how many walk out immediately or half way through. Percy plans to install 1,200 meters in New York area homes and let clients tap into the computer database before the fall. He expects to begin installing meters in Los Angeles this fall and in Chicago early next year.

If Percy can actually deliver credible ratings for ads as short as 15 seconds, advertisers will know more precisely who's watching their ads, and maybe even which ads hold their attention, says Robert Warrens, senior vice president at J. Walter Thompson. It may also give broadcasters added incentive to place ads where they'll be watched—for instance, not in the last moments of a show, he says.

In the short run, however, the big distinction of Percy's service is in the company's hardware. Other people meters have two ways of measuring viewing, which can be checked against each other: recording the channel tuned as well as the personal buttons pushed by individuals in the sample household. Percy's Voxbox 1200 meter adds a third monitoring device, a heat sensor that searches the room for 55 seconds after viewers have checked in by pushing their buttons on the meter's remote keypad. The sensor counts the number of vertical masses emitting body heat in front of the TV set. (Most of the bodies belong to people, but analysts will look closely at discrepancies in households where there are large dogs.) If the number of warm human bodies differs from the number of buttons pushed, the meter generates an on-screen question: "Who is in the room?"

Researchers believe viewers in sample households need the reminder because some, especially teens and children, are throwing off ratings by failing to punch their personal buttons on Nielsen people meters that lack heat sensors. "We know we are not getting button-pushing by children," says NBC vice president George Hooper. "Anything that would say to the kids, 'Hey, you forgot to push that button' would help."

As NBC, CBS, Fox Broadcasting's New York station and a number of large advertising agencies signed up for Percy's service, they sent a signal to Nielsen. The sensor is "the one feature that we're trying to promote by supporting the Percy service," says Warrens at J. Walter Thompson. Now the three firms planning nationwide people-meter service—Nielsen, AGB and ScanAmerica (a co-venture of Arbitron and Time Inc.) are developing their own people detectors. Nielsen plans field tests soon.

Percy's heat-sensing meter isn't a truly "passive" people meter since it still requires viewers to push buttons, but it's "a good first step" toward the ultimate passive meter, according to research executives. The ratings industry's "prize," says AGB's Stephan Buck, will be a fully passive meter that will know who's watching, with no questions asked, no buttons pushed. Percy believes that fully passive meters will be developed within five years.

The problem is finding a way to make them work. If anyone has a simple and manifestly effective scheme, he's not revealing it. One researcher thinks viewers could be identified by the distinctive chemical makeup of their breath. AGB tried putting detectable medallions in viewers' wristwatches, but people often forgot to strap on their timepieces before watching TV.

If technology provides a foolproof way to identify viewers in sample households, however, the resulting ratings ironically may be even less accurate in representing the total audience. The all-knowing sensors remind some folks of Big Brother. "Some who might accept a button will not accept a totally passive system," says Percy Tannenbaum, director of the University of California's Survey Research Center. "And the people you do get may not be representative of the general population." ●

The Copycat Factor

by Rinker Buck

The BPME judges found that repetition—not originality—is still the norm in promo spots.

Imitation may be the sincerest form of flattery, but it's also the most relentlessly boring, and nowhere is this more evident today than in the field of television promotion. That conclusion was virtually inescapable during a behind-the-scenes look at the 1987 Broadcast Promotion and Marketing Executives (BPME) gold medallion awards competition in San Diego in April. Three days of sitting behind the judges as they reviewed 3,000 entries in the BPME's annual competition offered convincing proof that most local broadcasters—and a surprising number of syndicators and cable services as well—are still following the safest route to promotion: piggybacking on someone else's success. The experience also provided an opportunity to interview some seasoned veterans—the 18 judges—about the state of promotion today.

Late in the afternoon on the second day of the competition, for instance, I joined one three-member panel inside a darkened control room at San Diego State University for the judging of a typical event. Over the past two days, they had plowed through more than 400 promotion campaigns and spots, and now they groaned as the BPME organizers approached the tape decks with four cardboard boxes overflowing with video reels for the next category: in-house generic television announcements from stations in major markets. There were 99 submissions in all, and the judges still had two additional categories to judge before they were done for the day.

As it happened, they were able to race through all 99 entries in 80 minutes, and it was not difficult to see why. The bulk of the spots were weak imitations of award-winning promos from earlier years, and the judges had seen it all before. Many of the spots were rejected by the panel only seconds after they were cued onto the monitor screens.

WCBS's Irv Gikofsky and his "kids": Weathermen moonlighting as teachers are a popular theme.

The first entry in the generic category was a tired pastiche of images from *Leave It To Beaver* reruns from a Midwest station. (Ten seconds into the reel, someone yelled "Cut!") An East coast station offered a football promo showing players racing into the camera ("That's just a ripoff of what that Phoenix station did last year") and a spot from Pennsylvania showed the security guard who raises the American flag in front of the station every morning. In other categories this year, there was a surplus of spots featuring weathermen who moonlight as teachers; the generic category was deluged with canned Christmas spots, replete with plastic pine boughs and Santa's sleigh skidding to a halt on the station roof. ("What happens if you're Jewish? Cut!")

By the end of the category, each of the judges had set aside only six or seven worthy entries—a fairly typical win-loss ratio. Whittling down the finalists took the judges only another five minutes. They picked an image spot from KNBC in Los Angeles that made effective use of NBC's "C'mon Home" theme music; a promo from WRTV in Indianapolis depicting a couple racing home to their condo to watch *Divorce Court*; and a spot launching *Superior Court*'s debut on WCBS in New York that cleverly used a courtroom artist's sketches.

Most of the judges at San Diego agreed that the quality of the best spots have improved markedly in recent years, especially at large affiliates and stations owned by broadcast groups that have made promotion a top priority. Vince Manze, the director of broadcasting and promotion at KNBC who won six BPME gold medallions in 1986, made a hit this year with spots promoting KNBC sportscaster Fred Roggin. The spots showed a boxer being knocked out and a football team missing a goal, underneath the theme lines "If it sweats, Fred'll show it to you" and "If it chokes, Fred'll show it to you."

MTV won raves for a spot featuring an elderly couple in the year 2036 discussing their teenage memories of music video and how it changed their lives. ("Madonna was the first president who really knew how to use video.")

Overall, however, the judges were disappointed with the quality of the submissions in many categories. The vast majority of stations, they say, still lack either consistency or sound creative instincts in their approach to promotion and—perhaps worse—few of them seem to realize it.

"It's amazing to sit here hour after hour and watch some of this awful stuff go by," says John Wentworth, director of advertising and promotion for Paramount Network Television. "There are all these stations out there who don't have the first idea about promotion, yet they actually think they might win something for this."

The problem, most of the judges at San Diego agreed, is twofold, and is symptomatic of larger forces at play in the industry today. It involves, on the one hand, a relatively simple question of technology and, on the other, a broader issue of management philosophy and recruitment policies.

Beginning in the early 1980s, advances in video technology that had already revolutionized television news and entertainment programming began to trickle down to promotion staffs. Sophisticated editing machines, computer animation and paint-boxes allowed television to dazzle viewers with a variety of images that would have been impossible in the early days. By 1983 and 1984, the most original spots created by the new hardware had won several BPME and advertising-industry awards. As the new look was imitated nationwide, however, its appeal began to wear thin, and many stations were simply substituting high-tech razzle-dazzle for content.

"There's no question that the technical abilities of the industry have vastly improved in recent years," says Symon B. Cowles of Cowles & Co. in New York, a former head of promotion for ABC and a BPME judge this year. "But all this fascination with the new video 'toys' has crowded out the fundamental skills of promoting—fresh ideas, good writing, that single, memorable image that carries a spot over the top."

It's hard to argue that the excesses of high tech make for promotions that are worse than, say, those of ten years ago, but that brings us to the second point. With all the competition broadcasters now face in their markets, they can't afford to fall back on routine any longer. Only a small percentage of the 900 broadcast outlets across the country, however—perhaps 100 in all—have brought their promotion departments up to the same professional level as news and sales.

Karl Sjodahl, president and creative director of Sjocom Inc. of San Francisco, is a former broadcaster who held programming and marketing positions and now consults with stations on their overall marketing operations. For years he has been considered ahead of his time in advocating that stations alter their philosophies and give promotion a more important role.

"For too many years, broadcasting was simply a license to steal, and general managers fell into the lazy habit of hiring promotion people out of their production departments," says Sjodahl. "They were regarded simply as technicians, people who were expected to churn out a required number of promos without in any way being included in the major decisions the station made. The 'marketing' side of their job was just tokenism. Most promotion directors don't even know how much their stations earn every year. Can you imagine any other industry—a computer company, a durable-goods manufacturer—operating that way? Of course not."

That, ultimately, is the dilemma facing broadcasters. Even as they celebrate the age of high tech with dense-pack animation and computer graphics, the philosophy behind their promotion still dates back to the days when a good promotion was just another "happy talk" anchor or clever splices of the images sent down the network feed. To meet the changing times in their industry, stations will have to graduate from the imitation era into a new phase of creative innovation that makes them not only unique in their own markets, but distinct from the industry as a whole. ●

The Do's and Don'ts of Promos

BPME awards are usually given for exceptional creativity in a particular category, and every year the judges eliminate hundreds of reasonably effective promos simply because they lack originality. Nevertheless, consistent placement as a finalist is usually a sign that a station is developing a unique style and the ability to flexibly adapt to changing conditions in its market. If you're going to bother to send in your reels and pay the $50 entry fee, it's probably best to master the following list of Do's and Don'ts in promotion, gleaned from three days of reviewing the BPME competition this year.

DO 'S

• Look for that single, identifiable image or theme unique to your station and market, and craft an uncomplicated video and print campaign around it.

• Hire the best writers, ones who know your market and station, and keep them on staff.

• Keep the animatics basic.

• Understatement is better than hype; straightforward, simple imagery is better than glitz.

• Whenever possible, contract your own theme music and write your own tag lines.

• Consider actually *cutting* your production budgets, at least for some promos. The big extravaganza spots aren't always effective, and they often tempt stations to reach beyond their abilities.

• Do it yourself—you're the one who knows your needs. The ad agencies and national promotional firms are only going to give you what they tried last year, in someone else's market.

DON'TS

• No more anchors who *really* report, weathermen with Ph.D.s or sportcasters who are jocks.

• Hovering news helicopters and speeding SNG trucks are passé—viewers have seen them all by now.

• *Fright Week* promos shouldn't look tackier than the flicks themselves.

• You thought *your* station discovered look-alike Oprah Winfreys and Phil Donahues? Forget it—there were dozens this year.

• Stentorian voiceovers that drown out the message, and advertiser tie-ins are especially frowned upon by BPME judges.

• Bag the saccharin Christmas spots—we all know that news anchors look great in red sweaters.

—RINKER BUCK

WATCH US GROW

Channel 9 has a new ownership. A new name. A new commitment.
There's a whole world of opportunity before us.

We can't do all the things we hope to at once. We'll have to crawl before we can walk. But as we grow we'll be innovative. We'll be responsive.
So watch us. Birthday after birthday.

9
WWOR·TV
Secaucus, N.J.

An MCA Broadcasting Station

THE PUBLIC EYE

by Les Brown

TV professionals can give you chapter and verse on the best hotels, resorts and restaurants, but speak to them of quality in television and they get perplexed and defensive.

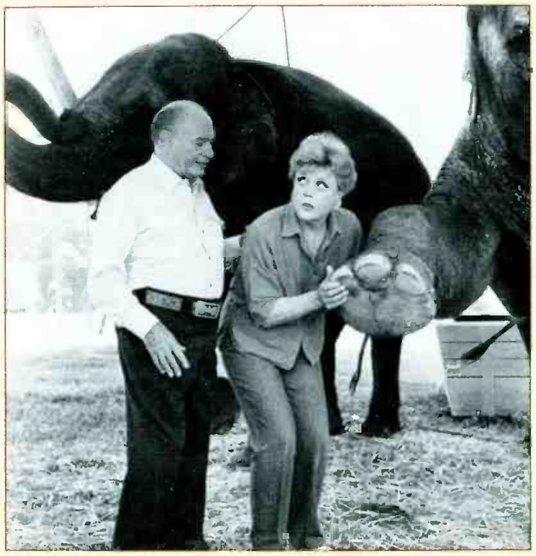
A QUANTITY OF QUALITY

I find it curious that people who spend their lives striving to afford cars and clothing of the very best quality, and who pride themselves on knowing the finest wines, are unable to say what constitutes quality in their own field, TV programming. Quality of life they understand; quality of television is a mystery.

When Fred Silverman became NBC president in 1978, he made a series of speeches pledging the network to "quality television." Then he delivered *Supertrain* and a rash of the most forgettable programs in the medium's history.

The professionals who buy, sell and create TV programs tend to be well-traveled executives who know the best hotels, resorts and restaurants, and can give you chapter and verse on what makes them exceptional. But speak to them of quality in television and they get perplexed and defensive.

At the last NATPE convention, where I was on a panel with several captains of TV syndication and members of the trade press, the moderator asked what developments concerned me most in the business today. I said it was the bottom-line morality of the new owners, whose preoccupation with serving stockholders and servicing debt was not likely to advance the ideal of quality on television or the related media.



***Murder, She Wrote*: Good shows are often the most successful.**

To my astonishment, the statement agitated the syndicators; it quickly became clear that the provocative word was *quality*. One panelist, feeling somehow under attack, accused me of elitism and wanting commercial television to be highbrow and culturally uplifting. The most sensible comment came from the chairman of Columbia/Embassy Television, Gary Lieberthal: "I can't define quality television, but I sure know it when I see it."

Of good television and mediocre television the difference, most of the time, is in the spirit in which it's done. But many practitioners in the field equate quality with popularity, something they wouldn't dream of doing with restaurants (Burger King over Lutèce?) or clothing (Robert Hall over L.L. Bean?). Or worse, they regard *quality television* as an oxymoron. They do the industry an injustice.

If only from having served the last five years on the Peabody Awards board, I claim some knowledge of quality television, enough certainly to testify that it exists in remarkable abundance. The 14 other members who judged this year's entries at the University of Georgia, and struggled for days to separate the superb from the very good, would surely agree that American television is wronged by those who still dismiss it as the boob tube.

So much quality television is produced in America—by commercial broadcast stations as well as any other—that if all of it were shown on a single channel on successive evenings in prime time the shows would probably consume a full season. The pity is that so many of the exceptional broadcasts are local and never seen outside their markets.

Excellent programs, moreover, are often commercially successful, which at the back door supports the otherwise outlandish view that popularity equals quality. Take WCCO-TV, Minneapolis, for example, whose investigative reporting consistently ranks with the best in all journalism. The station's investigative team won Peabodys the past two years and only missed this year because the competition was so great. WCCO's high standards, exemplified by the I-Team, keeps it dominant in its market.

The National Geographic specials (which won this year against several excellent shows in their genre) are always brilliant works. And when they air, whether on public television stations or on cable, the best of them get exceptional ratings.

In the board's deliberations this spring there was momentary hesitation about NBC's *The Cosby Show*; we didn't want to be rewarding its enormous popularity—until we agreed the series would deserve a Peabody even if it weren't TV's greatest hit.

Quality is such an abstraction that one could serve on such a jury for a lifetime and still be unable to formulate a working definition of exceptional television. But anyone who has had the experience even once can draw at least two conclusions:

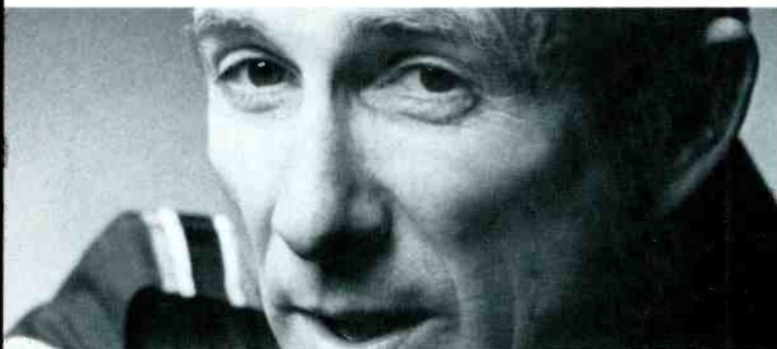
Quality doesn't just happen by accident, and it doesn't have its roots in cynicism. Rather, it grows out of a profound respect for the integrity of the work by those in charge, without an eye to the ratings. Quality's only special cost is a fierce, loving attention to detail.

That's how we come to have the likes of *Cagney & Lacey*; *Hill Street Blues*; *Family Ties*; *Murder, She Wrote*; *Moonlighting*; *Pee-Wee's Playhouse*; *This Week With David Brinkley*; and even a quality syndicated game show like *Trivial Pursuits*.

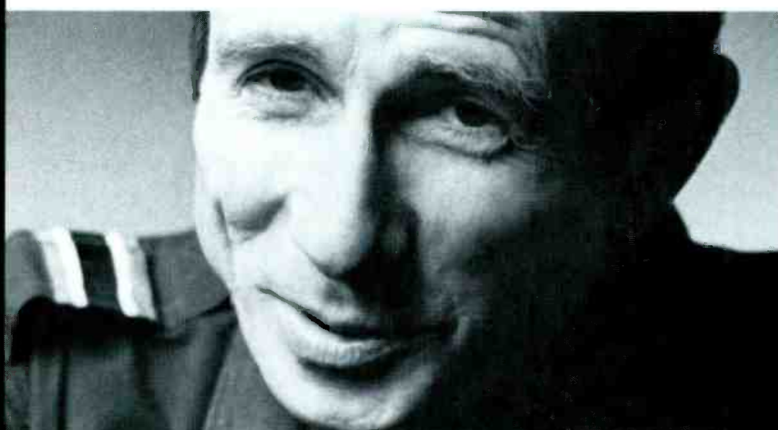
The Peabody entries have been diminishing in number throughout this decade, although the old-line broadcasters continue to be well represented. This suggests that the new breed of owner considers programming excellence irrelevant. That could be his great mistake. ●

JAMES IRWIN
Former Astronaut

I think we're basically interested in other people.
Other human beings. And other places.



And television can take us there rather quickly.
In fact it can take us there instantaneously.
In a vicarious way we can share adventures that others



are enjoying. And so we're no longer lonely.
We're more a part
of life because of this television medium.

NBC. Tuned In To America.™

THE BUSINESS SIDE

by Merrill Brown

One analyst speculates that NBC might keep ad prices in check for major advertisers, in exchange for a commitment for a big portion of their future ad spending. This could only hurt ABC and CBS.

NEW SEASON BLUES?

As the planning, flacking and selling of the 1987-88 television season begins in earnest, there's reason for concern about what's in store for media busi-nesses, and what the impact of an extraordinarily uncertain economic picture might be.

National economic forecasters are at sea about the meaning of interest-rate upticks, the impact of dollar fluctuations against foreign currencies and, most importantly, whether or not this set of confusing factors could produce a recession.

But television experts say the tax cut is making consumers feel wealthier, a fact likely to be positive for mass advertising. The factors that analysts are reviewing this spring bode well, particularly for networks. "All fingers are pointing to a good up-front market," says Goldman Sachs media analyst Barry Kaplan. Says Roger Rice, the president of the Television Bureau of Advertising: "The networks sold more up-front than ever in history."

Moreover, Kaplan points out, the nation's large package-goods companies are cash rich and eager to buy large amounts of national television advertising. "There's a movement toward measured media and away from couponing, a realization that they're getting tired of making promotional expenditures that hurt price integrity. Many major advertisers are increasing ad budgets 16 to 18 percent," Kaplan says.

In addition, these same giant national advertisers—package-goods companies, for instance—are planning to use the savings that result from the corporate tax-rate cut to develop new consumer products. If so, that trend is certain to produce increased national TV advertising as marketers rush to peddle new products via national networks.

Not that Kaplan, or anybody else for that matter, is predicting a return to the double-digit advertising growth television people came to expect in previous decades. He is, after all, talking only about ad-spending acceleration in the 5 percent range, roughly the prediction of most industry forecasters.

Then, of course, there's the inevitable bullishness generated by the fact that 1988 offers the combination of national elections and the summer and winter Olympic games to stimulate advertising spending.

What emerges is a fairly enthusiastic consensus for 1987-88. Granted some of that enthusiasm is based on how difficult the national advertising marketplace has been since 1985. And part of it is based on historic trends that merit serious attention.

But, it seems, skepticism and hesitancy are probably appropriate, and anyone who's in the national advertising business ought to be somewhat worried. That's not to say the increasingly competitive efforts of local television stations to garner larger shares of their markets aren't likely to be successful, justifying the massive bets by station buyers on the health of local stations.

On the horizon is the imposing national introduction of people-meter technology, nearly certain over the long run to make ad buying and media planning more precise than ever, and just as certain to strengthen the competitive posture of strong independents and growing cable networks. But for the national television picture, the people-meter muddle this fall, and such issues as which agencies, networks and syndicators are buying which Nielsen or AGB services should only yield short-term confusion and uncertainty.

DAVID SUTER

It's important to note that the most outspoken meter backers have been the ad agencies, who by and large have been far ahead of programmers in signing up for AGB's people meter and who, in billions of dollars of decisions, hold the cards in the national marketplace. What's more, there's no sign on the horizon that metered measuring will do anything beyond cutting into audience calculations for the most widely sought prime time programs. That too has to give pause to big spenders.

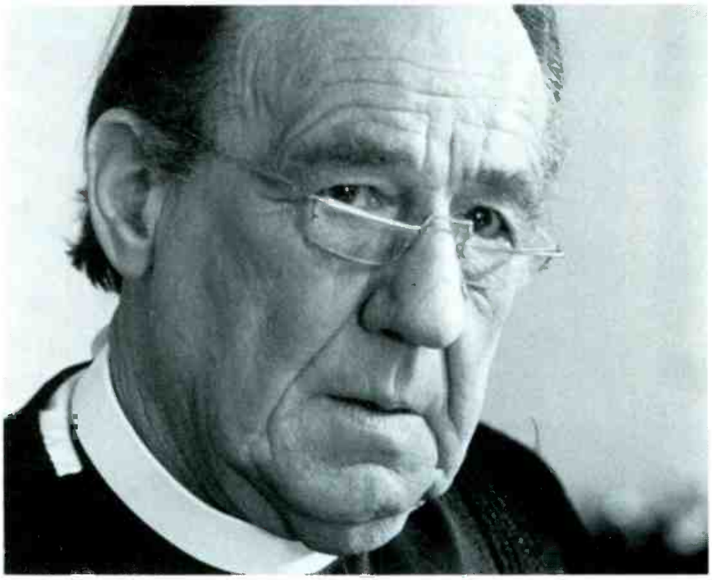
"I'm an advertiser with a new product and I say I want the best time a network can offer and I want to pay up for it," says David Londoner, a Wertheim Schroder & Co. analyst. "If he finds out his demographics are down 12 percent after the meters come in, the agency guy's ass is grass. I just don't think these guys are going to be aggressive."

Londoner also raises another cautionary point. "I want to know what NBC is going to do," he says. "This is their first shot at showing a real strategy. We don't know what they're going to do." Londoner speculates that a GE strategy for NBC might have the network keeping ad prices in check for major advertisers, in exchange for a commitment for something like 65 percent of their incremental growth for the next three years. Aggressiveness like that on GE's part will surely hurt others, notably ABC and CBS. "That says to me trouble," Londoner suggests. "Market-share strength are the words the GE guys live by, and right now they've got the strongest hand ever."

Layer that uncertainty against a weak spring stock market worried about interest rates and a possible recession, and the picture for the new fall season grows cloudy. ●

Benny took the salute,

Paradise stole the show...



and Chaplin walked off with the honours.

On March 26th this year, the achievements of Britain's largest independent television company were celebrated in 'A Salute to Thames'. The International Council of the National Academy of Television Arts and Sciences presented a gala evening, with Benny Hill topping the bill in a sparkling stage show.

A matter of weeks later, Thames Television was back in New York – this time to receive two of America's most prestigious broadcasting accolades. Kevin Brownlow and David Gill's unique *Unknown Chaplin*, seen on PBS in 'American Masters' and John Mortimer's sweeping Masterpiece Theatre/WGBH Boston series, *Paradise Postponed* were both honoured with Peabody Awards.

A Salute, followed by handshakes all round – quite a welcome for the television company that needs no introduction the world over.

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THAMES INTERNATIONAL

the world is watching

achieve \ə-ˈchēv\ *vt* 1 : to carry out successfully : ACCOMPLISH

THE CHANNELS ACHIEVERS

The second annual guide to the state of the top media companies unveils a restructured, risk-laden industry built on easy money, deregulation and a wide-open programming marketplace.

DAVID HERRICK

The results of the Channels Achievers financial survey demonstrate the vast opportunity and enormous risk in today's fast-paced media industry. While the opportunity for financial achievement has never been more enticing, the prospect for failure, for difficulties stemming from increased competition and for financial and balance-sheet problems has also never been as clear.

The principal listing in *Channels*' second annual financial accounting of the broadcasting and production industries, a survey of the top 90 companies, sums up the state of the business in 1986 and beyond. At the top, the fastest-growing company in the field in 1986, Home Shopping Network, moved into 1987 with a plunging stock price and a concern on Wall Street that its bold expansion from cable into station ownership led the company too far too fast. But record revenues of $160 million for a new company serve to remind the industry of the entrepreneurial opportunity that new ideas can create.

Throughout the top ten of the Achievers' list of 90 companies are firms dominated by individual talents like those of HSN's Roy Speer and Lowell Paxson. From sixth-ranked Price Communications, headed by financial entrepreneur Bob Price and the leader in last year's survey of the decade's fastest-growing companies, to the acquisitive team of Ralph Baruch and Terrence Elkes, who expanded and ultimately lost ninth-place Viacom International while gaining huge fortunes, the list is dotted with visions of new directions in media.

Opportunities of that magnitude were not possible until recently. As business has changed across the board, the combination of easy financing, new outlets for programmers such as barter and cable, deregulation that permits quick station transfers, and the boom in the cable-system business allowed *Channels* to assemble a growth chart of 90 companies.

But the "performance" charts that follow the top 90 add warning signals, demonstrating that while it's one thing to start something new, it's an entirely separate challenge to operate a media enterprise. Some of the industry's fastest-growing companies are doing so at the expense of other measures of performance, such as return on equity, and at the high price of creating highly leveraged balance sheets that prevent management from fulfilling goals. For the financial strategists, like the four chief financial officers profiled in this section, that balancing act is at the heart of the challenge for 1987 and beyond. ●

ARRIVALS, DEPARTURES

The Channels Achievers, though expanded from 63 companies last year to 90 this year, is missing some old names. In 1986, RCA merged with General Electric, ABC with Capital Cities, Telepictures with Lorimar. Others like John Blair and Viacom, now private, will disappear with next year's Achievers.

What was difficult in assembling an expanded Achievers compilation this year was assessing which companies to add. There are dozens of recently launched firms in the media business and locating and tracking them isn't always easy. While there are always omissions in a limited compilation, this year's list includes virtually all the major players whose financial results, as publicly traded or "semipublic" firms (companies with bond offerings and limited financial disclosure), can be obtained and readily assessed. All told, there are 32 new companies on the list, ten in the television production field, ten in cable, nine in broadcasting and three categorized as diversified.

THE NEW ACHIEVERS

BROADCASTING
American Family
Clear Channel Comm.
Emmis Broadcasting
Infinity Broadcasting
Jacor Comm.
Liberty
Outlet Comm.
Selkirk
Westwood One

CABLE
Adelphia Comm.
Am. Cablesystems
ATC
C.O.M.B.
Centel
Century Comm.
Home Shopping Net.
QVC Network
Scott Cable
Tempo Enterprises

DIVERSIFIED
McGraw-Hill
Media General
News Corp.

PRODUCTION
Aaron Spelling Prods.
DeLaurentiis Ent.
Dick Clark Prods.
Hal Roach Studios
Heritage Ent.
New World Pictures
Peregrine Ent.
Reeves Comm.
Robert Halmi
Western World TV

THE ACHIEVERS GUIDE

The 1987 Channels Achievers review of the media industry's top companies has been expanded this year to include not only more companies but also a new set of data and feature packages. The basic 90-company chart ranks industry players by revenue growth from 1985 to 1986, and features a ranking of the same firms by total profits.

In addition, the section includes detailed charts of how companies in four industry segments have performed. The 90 companies break down into the following categories: broadcasting—companies with primary media holdings in radio and television; cable—firms in cable-system and cable-network ownership; diversified—companies with properties in several industry segments; production—companies in program production and distribution.

Two other new features are also worth noting. The section highlights 25 large media companies with special emphasis on how they've performed in their fields and their prospects. And the Achievers section closes with profiles of four leading corporate chief financial officers with an eye to the challenges they face this year.

The Channels Achievers section was produced by staff members Bronna Butler, Traci Churchill, Joseph Vitale and Carolyn Zjawin, with researchers Michael Burgi, Matthew Murabito and Paul Noglows.

GLOSSARY: To help define some of the financial terms and ratios used in the charts, refer to the following glossary:

Compound Annual Growth Rate (CAGR)—Average annual growth.

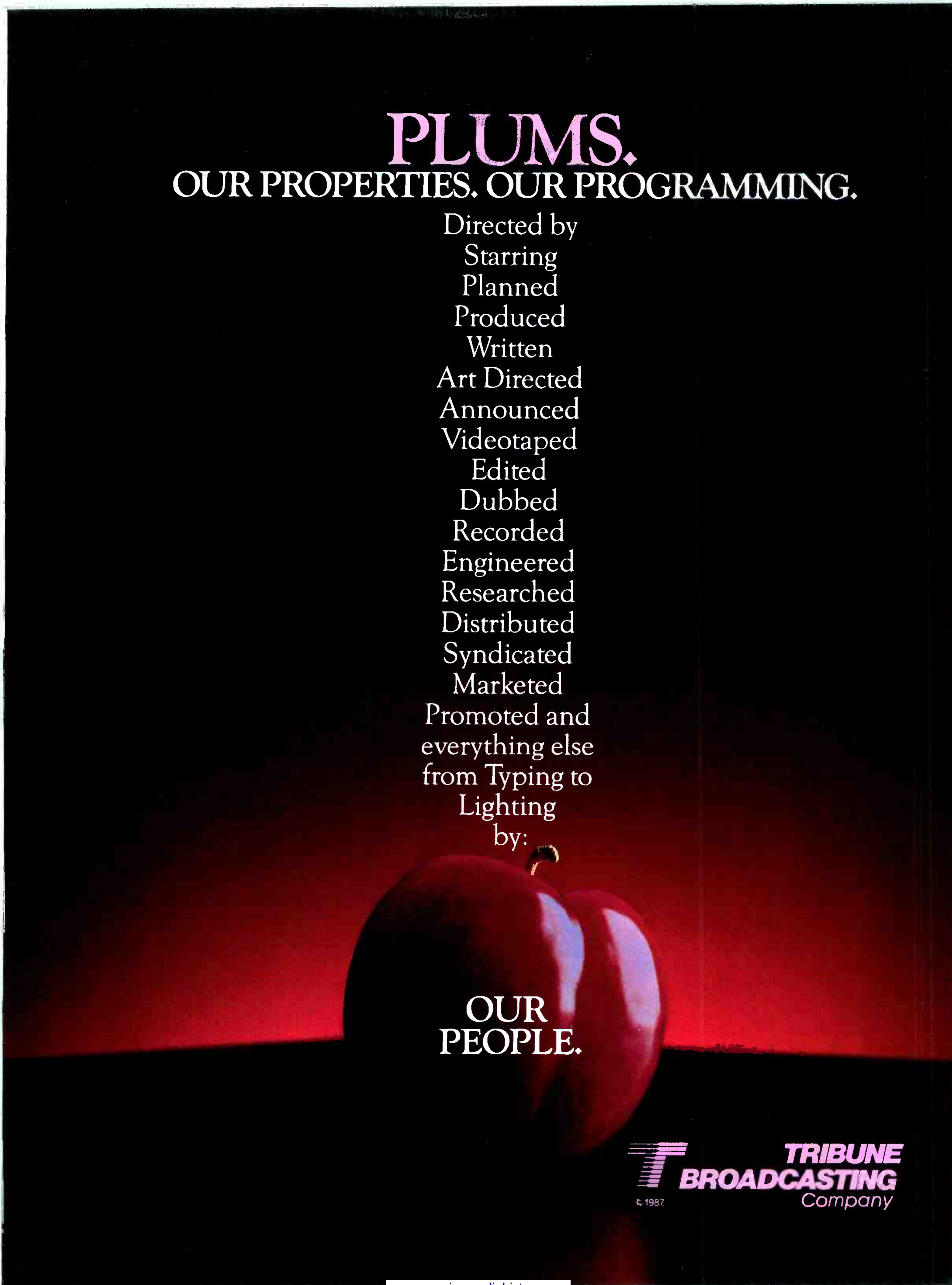
Debt/Equity Ratio (D/E)—Total liabilities, divided by total shareholder's equity.

Net Income (NI)—Earnings after expenses, interest and taxes.

Operating Income (OI)—Earnings before interest and taxes.

Revenues—Total sales.

Return on Equity (ROE)—Net income divided by total shareholders equity.


PLUMS.
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Directed by
Starring
Planned
Produced
Written
Art Directed
Announced
Videotaped
Edited
Dubbed
Recorded
Engineered
Researched
Distributed
Syndicated
Marketed
Promoted and
everything else
from Typing to
Lighting
by:
OUR
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BROADCASTING
Company
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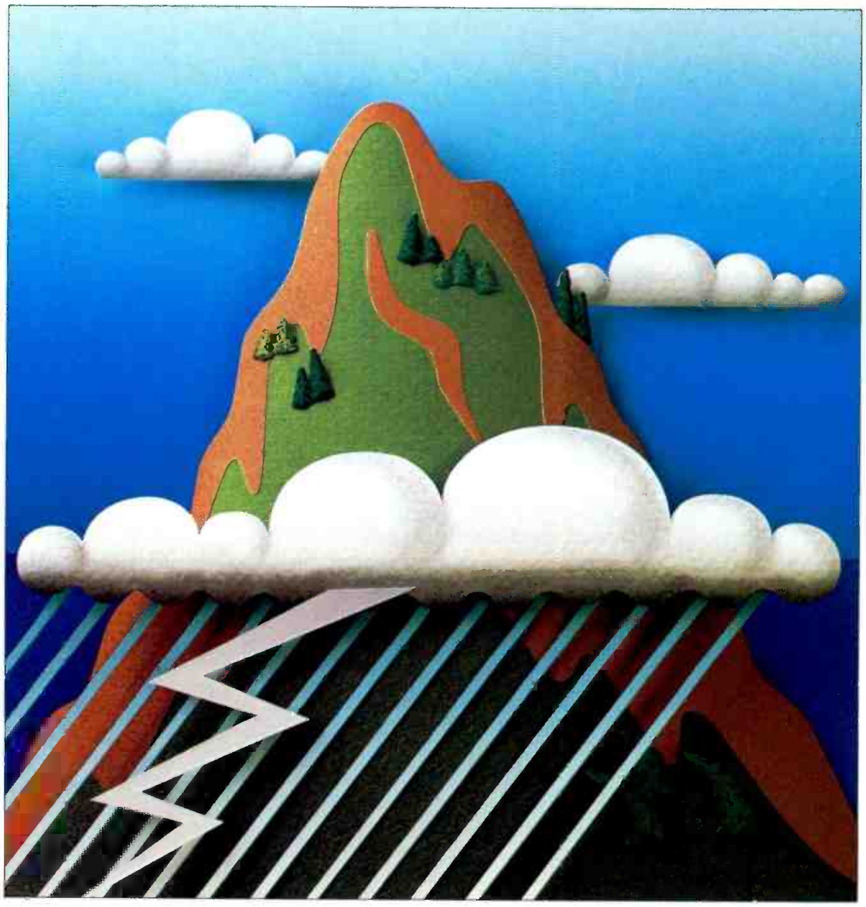
REACHING THE TOP: RISK AND REWARD

HSN: The boom-and-bust story of the eighties.

The list of the top ten fastest-growing media companies in 1986 underscores the fickleness of the media business and showcases the dramatic changes that have become a natural and expected part of the communications-industry landscape. This list of fastest-growers also points up a new development: a subtle shifting in power from the large companies that dominated the business as recently as three years ago to smaller firms started by individuals or groups of visionaries who saw opportunities that big firms, too slow off the mark or too interested in megaprofits, did not discern.



AJIN

No other company in this list better illustrates these points than last year's number-one grower, Home Shopping Network. Two-year-old HSN, started by entrepreneurs who believed the local success of an obscure shop-at-home service could translate nationally, set the programming world on fire in 1986. It was the hottest stock to hit Wall Street, initially offered at $18 a share last year and closing as high as $282 in January—adjusted for stock splits. Revenue growth from 1985 to 1986 was 988 percent. Ironically, HSN's success also led to its decline, sporing a host of competitors that duplicated its format and edged in on the cable systems and television stations HSN counted on. In May, its stock dropped to about $16.

Other relatively new firms have had a less volatile climb. For some, revenue growth had been steady before catapulting in 1986 because of market changes. Third-ranked Barris Industries, for example, founded in 1968 and headed until recently by one-time TV host Chuck Barris, caught the explosion in game shows. Growing 384 percent over 1985, Barris' jump came when the firm, noting a rise in ratings for game-show reruns, introduced new syndicated shows modeled on old ones. King World also grew on the popularity of game shows, although its recent boom has been fueled by the Oprah Winfrey phenomenon. The success of *Wheel of Fortune* and *Jeopardy* account for 85 percent of the company's 1986 revenues, up 81 percent last year.

Others in the top ten have grown mainly through acquisition. Westwood One, a radio programmer and syndicator, grew 210 percent in revenues, in large measure because of its purchase of Mutual Radio. Capital Cities/ABC, Price Communications and Viacom International also grew primarily via aggressive acquisition programs.

Changes in the broadcasting and entertainment industries and well calculated strategies to capitalize on them fueled growth for Hollywood production companies DeLaurentiis Entertainment, Robert Halmi and Hal Roach Studios. Hal Roach, invigorated in 1985 after a group of entertainment executives acquired a third of it, set out to spruce up old films through colorization and to widely distribute the goods from the Roach library—especially in home video. Revenues went up 120 percent. Halmi, for 30 years a producer of TV movies, last year increased output and began selling heavily in ancillary markets. Revenues rose 122 percent. And second-fastest-growing company DeLaurentiis, a 1985 start-up headed by producer Dino DeLaurentiis, grew 683 percent last year with the success of motion pictures such as *Crimes of the Heart* and *Blue Velvet*. It announced recently it would build a studio in Australia and begin producing for TV. CECILIA CAPUZZI

THE CHANNELS ACHIEVERS

RANK	COMPANY	'85-86 REVENUE GROWTH (%)	'86 REVENUE IN $ THOUSANDS	RANK	'86 NET INCOME IN $ THOUSANDS	RANK	HEADQUARTERS
1	Home Shopping Net.[1]	988.2	160,159	51	17,049	37	Clearwater, FL
2	DeLaurentiis Ent.[2]	683.4	44,248	70	–2,664	74	Beverly Hills, CA
3	Barris	384.6	31,024	73	7,555	47	Beverly Hills, CA
4	Cap Cities/ABC[3]	304.0	4,124,374	5	447,689	4	New York, NY
5	Westwood One	210.4	59,297	64	7,286	48	Culver City, CA
6	Price Comm.	131.3	96,675	60	–24,594	86	New York, NY
7	Robert Halmi	121.7	17,254	82	2,830	59	New York, NY
8	Hal Roach Studios	120.2	8,470	86	–1,121	72	Hollywood, CA
9	Viacom Intl.	107.0	919,154	23	–9,856	81	New York, NY
10	King World Prods.	80.7	145,718	54	19,846	33	New York, NY
11	New World Pictures	77.3	188,923	49	10,709	42	Los Angeles, CA
12	Jacor Comm.	65.2	26,657	78	2	68	Cincinnati, OH
13	TVX	64.9	25,942	79	–6,111	78	Virginia Beach, VA
14	Turner Broadcasting	58.3	556,917	28	–187,314	90	Atlanta, GA
15	Scripps Howard Bcast.	56.5	210,548	42	5,477	50	Cincinnati, OH
16	Fries Ent.	54.7	28,137	76	2,989	58	Los Angeles, CA
17	American Family	46.8	1,401,463	20	100,697	20	Columbus, GA
18	Financial News Net.	45.8	15,408	83	1,284	64	Santa Monica, CA
19	Jones Intercable	44.1	19,305	81	4,740	52	Englewood, CO
20	Scott Cable	42.5	15,364	84	2,028	62	Irving, TX
21	News Corp.[4]	40.8	2,668,272	12	171,557	13	Sydney, Australia
22	MGM/UA Comm.	39.1	355,355	36	17,861	35	Beverly Hills, CA
23	LIN Broadcasting	37.8	195,340	46	66,240	23	New York, NY
24	Emmis Broadcasting	35.5	24,386	80	–1,035	71	Indianapolis, IND
25	Lorimar-Telepictures[5]	31.3	542,808	29	4,059	54	Culver City, CA
26	C.O.M.B.	31.2	150,187	53	–5,175	77	Plymouth, MN
27	Adelphia Comm.	29.3	30,431	74	–10,167	83	Couldersport, PA
28	Malrite Comm.	27.9	106,500	59	–9,000	80	Cleveland, OH
29	Warner Comm.	27.5	2,848,324	10	185,795	12	New York, NY
30	Gannett	26.8	2,801,497	11	276,404	9	Arlington, VA
31	Taft Broadcasting	26.0	472,770	32	19,418	34	Cincinnati, OH
32	Reeves Comm.	25.7	92,010	61	4,960	51	New York, NY
33	General Electric[6]	25.5	36,725,000	1	2,492,000	1	Fairfield, CT
34	Walt Disney	22.6	2,470,900	13	247,300	11	Burbank, CA
35	Heritage Comm.	22.5	192,739	48	–9,904	82	Des Moines, IA
36	Heritage Ent.	21.9	10,626	85	2,388	60	Los Angeles, CA
37	Park Comm.	20.4	136,938	55	14,923	38	Ithaca, NY
38	Coca-Cola	20.2	8,668,556	3	934,347	2	Atlanta, GA
39	Sun Group	19.8	6,577	88	–1,605	73	Nashville, TN
40	Gray Comm.	19.3	51,837	67	3,453	57	Albany, GA
41	Maclean Hunter[7]	18.4	834,267	24	50,177	24	Toronto, Ontario
42	Chris-Craft	17.7	223,992	39	14,747	39	New York, NY
43	Century Comm.	17.0	64,562	63	823	66	New Canaan, CT
44	Rogers Comm.[7]	16.5	254,238	38	8,626	44	Toronto, Ontario
45	MCA	16.3	2,441,374	14	155,204	14	Universal City, CA

[1] Compares 12 mo. ended 8/31/86 with *Channels'* estimate for 12 mo. ended 8/31/85 [2] 1986, 1985 results based on nine mo. ended 11/30 [3] Merged 1986 [4] Australian company; converted to U.S. dollars [5] Merged 1986; 1986 and 1985 results based on first three quarters

THE CHANNELS ACHIEVERS / THE TOP 90 COMPANIES

The ninety companies that dominate the electronic media.

RANK	COMPANY	'85-86 REVENUE GROWTH (%)	'86 REVENUE IN $ THOUSANDS	/RANK	'86 NET INCOME IN $ THOUSANDS	/RANK	HEADQUARTERS
46	United Cable	15.8	195,766	45	4,044	55	Denver, CO
47	United Television	15.6	89,142	62	8,194	45	Beverly Hills, CA
48	John Blair	15.4	208,499	43	−79,760	89	New York, NY
49	Peregrine Ent.	15.3	7,448	87	256	67	Los Angeles, CA
50	Dick Clark Prods.	15.0	32,344	72	3,750	56	Burbank, CA
51	Gulf+Western	13.9	3,781,100	6	267,400	10	New York, NY
52	Infinity Broadcasting	13.4	51,895	66	−2,893	75	New York, NY
53	Washington Post	12.7	1,215,064	22	100,173	21	Washington, DC
54	Outlet Comm.[8]	12.6	56,540	65	−16,227	85	Providence, RI
55	Meredith	12.3	533,376	31	47,218	25	Des Moines, IA
56	New York Times	12.3	1,564,663	19	132,227	17	New York, NY
57	United Artists Comm.	11.9	536,876	30	8,044	46	San Francisco, CA
58	TCI	11.9	645,724	25	72,296	22	Denver, CO
59	Comcast	11.5	130,854	56	1,004	65	Bala-Cynwyd, PA
60	Cablevision Systems	11.2	152,303	52	−16,143	84	Woodbury, NY
61	TCA Cable	10.7	48,269	68	5,547	49	Tyler, TX
62	Multimedia	10.6	371,799	35	−4,661	76	Greenville, SC
63	Time	10.5	3,762,000	7	376,000	6	New York, NY
64	Adams-Russell	10.5	43,425	71	4,642	53	Waltham, MA
65	Knight-Ridder	10.5	1,910,650	16	140,039	16	Miami, FL
66	Media General	9.7	634,627	26	17,107	36	Richmond, VA
67	ATC	9.2	568,653	27	32,518	28	Englewood, CO
68	Liberty	7.4	380,625	34	34,730	26	Greenville, SC
69	American Cablesystems	7.1	44,927	69	22,742	30	Beverly, MA
70	Vestron	6.9	195,300	47	12,900	41	Stamford, CT
71	Lee Enterprises	6.9	220,924	41	32,597	27	Davenport, IA
72	CBS	6.7	4,753,700	4	375,100	7	New York, NY
73	Cox Enterprises[9]	6.6	1,569,009	18	NA	69	Atlanta, GA
74	McGraw-Hill	5.7	1,576,834	17	154,009	15	New York, NY
75	Aaron Spelling Prods.	5.5	221,496	40	24,110	29	West Hollywood, CA
76	Tribune	4.7	2,029,813	15	292,870	8	Chicago, IL
77	Clear Channel Comm.	4.3	27,420	77	1,406	63	San Antonio, TX
78	Stauffer Comm.	4.0	118,158	58	20,374	31	Topeka, KS
79	A.H. Belo	3.1	397,233	33	20,268	32	Dallas, TX
80	Centel	2.9	1,369,912	21	109,002	19	Chicago, IL
81	GenCorp	2.6	3,099,000	8	130,000	18	Akron, OH
82	Westinghouse	0.3	10,731,000	2	670,800	3	Pittsburgh, PA
83	Times Mirror	−1.0	2,948,136	9	408,085	5	Los Angeles, CA
84	Tri-Star	−1.7	254,377	37	13,760	40	New York, NY
85	Playboy	−4.3	181,639	50	−62,203	88	Chicago, IL
86	Tempo Enterprises	−7.2	28,214	75	2,309	61	Tulsa, OK
87	Orion Pictures	−11.2	198,122	44	−31,862	87	New York, NY
88	Selkirk Comm.[7]	−17.1	124,519	57	8,996	43	Toronto, Ontario
89	Western World TV	−77.1	2,745	89	−10	70	Los Angeles, CA
90	QVC Network[10]	NA	1,593	90	−8,466	79	West Chester, PA

[6] 1986 figure includes seven mo. of RCA results [7] Canadian company; converted to U.S. dollars [8] Results compare year ended 9/30/86 to year ended 12/31/85 [9] Now a private company [10] Results for quarter ended 1/31/87

THE CHANNELS ACHIEVERS / THE BEST-PERFORMING STOCKS

WHAT THE MARKET THINKS

BROADCAST

Company	Stock Price 4/1/87	Stock Price 4/1/86	% Change
Gray Comm.	223.000	138.000	61.59
Westwood One	41.750	26.250	59.05
GenCorp	117.250	75.000	56.33
LIN Bcast.	34.250	22.625[1]	51.38
Infinity Broadcasting	16.250	10.750[2]	51.16
Cap. Cities/ABC	342.000	237.000	44.30
Scripps Howard	75.000	52.000	44.23
Price Comm.	12.125	8.750[1]	38.57
General Electric	105.000	77.125	36.14
Outlet Comm.	15.500	11.500[2]	34.78
Stauffer Comm.	135.000	105.000	28.57
A.H. Belo	62.750	50.750	23.65
Chris-Craft	25.375	21.125[1]	20.12
Park Comm.	32.500	27.500	18.18
United Television	31.125	28.250	10.18
CBS	151.500	144.375	4.94
TVX	10.750	10.500	2.38
Liberty	40.750	42.250	-3.55
Jacor Comm.	7.000	7.500	-6.67
American Family	13.125	14.375[1]	-8.70
Selkirk Comm.[3]	22.125	25.250	-12.38
Malrite Comm.	12.000	15.000	-20.00
Clear Channel Comm.	14.500	19.250	-24.68
Sun Group	2.250	4.375	-48.57
Emmis Broadcasting	(Private)	(Private)	—
		Broadcast Average	+19.21
		S&P 500	24.35

CABLE

Company	Stock Price 4/1/87	Stock Price 4/1/86	% Change
Home Shopping Net.	20.000	6.250[2]	220.00
Scott Cable	22.750	12.250	85.71
United Artists Comm.	22.750	14.250[1]	59.65
ATC	22.625	14.500[2]	56.03
Amer. Cablesystems	19.500	12.500[2]	56.00
Century Comm.	20.750	13.750	50.91
Financial News Net.	11.875	8.250	43.94
Cablevision Systems	24.750	17.500	41.43
Adelphia Comm.	19.500	14.000[2]	39.29
Jones Intercable	15.125	11.375	32.97
Comcast	21.500	17.125[1]	25.55
TCI	29.625	24.625[1]	20.30
Turner Broadcasting	20.250	17.125	18.25
Time	84.875	73.000	16.27
United Cable	31.875	27.875	14.35
C.O.M.B.	20.750	18.250	13.70
Maclean Hunter[3]	21.500	19.000	13.16
Centel	58.875	53.750	9.53
QVC Network	12.000	11.250[2]	6.67
Rogers Comm.[3]	21.875	20.750	5.42
TCA Cable	21.750	21.000[1]	3.57
Tempo Enterprises	10.250	10.000	2.50
Adams-Russell	22.500	33.250	-32.33
		Cable Average	+34.91
		S&P 500 Index	24.35

DIVERSIFIED

Company	Stock Price 4/1/87	Stock Price 4/1/86	% Change
News Corp.	32.750	15.875[1,4]	106.30
Viacom Intl.	52.000	27.625[1]	88.24
Taft Broadcasting	158.250	96.000	64.84
Multimedia	55.125	35.375	55.83
John Blair	31.000[5]	21.000	47.62
New York Times	42.875	30.750[1]	39.43
Times Mirror	82.750	63.250	30.83
Media General	59.500	45.750[1]	30.05
Gannett	46.500	36.000[1]	29.17
Westinghouse	65.750	53.375	23.19
Heritage Comm.	33.000	27.000	22.22
Washington Post	184.000	153.500	19.87
Knight-Ridder	53.125	46.125	15.18
Tribune	77.625	68.500	13.32
McGraw-Hill	63.875	58.625	8.96
Lee Enterprises	25.500	25.625	-0.49
Meredith	36.000	38.125[1]	-5.57
Cox Enterprises	(Private)	(Private)	—
		Diversified Average	+34.65
		S&P 500	24.35

PRODUCTION

Company	Stock Price 4/1/87	Stock Price 4/1/86	% Change
Walt Disney	62.750	36.750	70.75
King World Prods.	20.750	12.875[1]	61.17
Playboy	12.875	8.375	53.73
MGM/UA Comm.	11.875	8.000[2]	48.44
Orion Pictures	16.500	11.375	45.05
Warner Comm.	29.875	20.750[1]	43.98
Coca-Cola	45.750	34.125[1]	34.07
Gulf + Western	75.375	57.500	31.09
Aaron Spelling Prods.	10.125	8.250[2]	22.73
DeLaurentiis Ent.	10.375	9.625[2]	7.79
Dick Clark Prods.	6.375	6.000[2]	6.25
Peregrine Ent.	12.000	12.125[1]	-1.03
Heritage Ent.	9.000	9.500	-5.26
Robert Halmi	3.750	4.125	-9.09
MCA	46.000	51.875	-11.33
Tri-Star	11.500	13.000	-11.54
Reeves Comm.	11.625	14.500	-19.83
New World Pictures	13.375	17.750	-24.65
Lorimar-Telepictures	19.375	26.000	-25.48
Barris	15.625	22.000	-28.98
Hal Roach Studios	9.250	13.625	-32.11
Western World TV	1.625	2.625	-38.10
Fries Ent.	5.375	9.500	-43.42
Vestron	7.125	13.125	-45.71
		Production Average	+5.35
		S&P 500 Index	24.35

[1] 1986 stock price adjusted for stock split. [2] IPO since April 1, 1986. Price is 52 week low. [3] Funds in Canadian dollars. [4] Initial U.S. offering May 20, 1986. [5] Acquisition price Aug. 18, 1986.

IN COMMUNICATIONS, TO WORK PUTS

No one knows that better than Drexel Burnham. Our communications financings have helped create jobs throughout the entire communications industry. These dollars have also financed employment among a spectrum of suppliers—for everything from antennas to zirconium insulation.

The 23 Drexel communications transactions you see here were all completed since January of 1986. Together they total over $6.7 billion. This is both a record number of issues and a record volume of financing for the communications industry. And it makes Drexel once again the leader among all communications underwriters.

What's responsible for Drexel's leadership in communications? Innovation. Industry knowledge. And our broad range of services. The results? Transactions designed to meet the specific financing needs of each client. Transactions which are often the first of their kind. Transactions that work.

Examples? We pioneered fixed rate, 20-year subordinated debt; public debt for private companies; debt with warrants subject to repurchase; and zero coupon debt deferring cash interest costs for several years. These financing techniques have enabled us to raise the capital our clients need. At the lowest possible cost. And for communications companies of all sizes.

Drexel Burnham's strength is financing America's growth industries. Like communications. Through the combined efforts of our 10,000 employees, this has had tangible results. In ideas, in jobs, in progress. There's no better proof that putting capital to work puts people to work.

Cablevision Systems Corporation
$90,625,000
6,250,000 Shares of Class A Common Stock
January 17, 1986

Rogers Cablesystems of America, Inc.
$14,500,000
1,000,000 Shares of Class A Common Stock
February 26, 1986

Fox Television Stations, Inc.
$1,148,000,000
1,148,000 Shares of Increasing Rate Exchangeable Guaranteed Preferred Stock
February 27, 1986

Compact Video, Inc.
$80,000,000
12¾% Subordinated Debentures
July 2, 1986

Ingersoll Newspapers, Inc.
$65,000,000
11⅞% Senior Subordinated Debentures
September 3, 1986

$50,000,000
12⅛% Subordinated Debentures
September 3, 1986

Barris Industries, Inc.
$60,000,000
6¾% Convertible Senior Debentures
February 24, 1987

Western Publishing Group, Inc.
$231,600,000
11,580,000 Shares of Common Stock
April 22, 1986

Lorimar-Telepictures Corporation
$150,000,000
11% Senior Subordinated Debentures
February 19, 1987

AMC Entertainment Inc.
$75,000,000
11⅞% Senior Subordinated Debentures
July 2, 1986

McCaw Cellular, Inc.
$125,000,000
Senior Notes
July 3, 1986

$150,000,000
Senior Subordinated Notes
July 3, 1986

United Cable Television Corporation
US$50,000,000
5¾% Convertible Subordinated Debentures
July 1986

Cooke Media Group Incorporated
$430,000,000
Senior Subordinated Deferred Interest Notes
April 1987

$300,000,000
Subordinated Debentures
April 1987

PUTTING CAPITAL PEOPLE TO WORK.

Gulf + Western Inc.

$175,000,000

9¾% Senior Debentures
July 10, 1986

$100,000,000

8½% Senior Notes
July 10, 1986

Aaron Spelling Productions, Inc.

$77,000,000

5,500,000 Shares of Class A Common Stock
August 1, 1986

$25,000,000

12¼% Subordinated Notes
August 1, 1986

Tele-Communications, Inc.

$230,000,000

6½% Convertible Subordinated Debentures
August 15, 1986

Warner Communications Inc.

$500,000,000

10,000,000 Shares of Series A Convertible Exchangeable Preferred Stock
August 22, 1986

MGM/UA Communications Co.

$150,000,000

12⅝% Senior Subordinated Notes
December 24, 1986

$250,000,000

13% Subordinated Debentures
December 24, 1986

New Line Cinema Corporation

$6,400,000

800,000 Shares of Common Stock
September 30, 1986

Olympic Broadcasting Corporation

$12,000,000

Increasing Rate Senior Subordinated Notes
June 13, 1986

$30,000,000

13⅜% Senior Subordinated Debentures
October 31, 1986

$4,500,000

750,000 Shares of Common Stock
October 31, 1986

Turner Broadcasting System, Inc.

$600,000,000

Extendable Senior Notes
March 18, 1986

$440,000,000

Zero Coupon Senior Notes
March 18, 1986

$360,000,000

14% Senior Subordinated Debentures
March 18, 1986

Carolco Pictures Inc.

$32,400,000

3,600,000 Shares of Common Stock
November 26, 1986

$50,000,000

13% Senior Subordinated Notes
December 2, 1986

American Cablesystems Corporation

$100,000,000

11¾% Senior Subordinated Notes
May 7, 1986

$54,375,000

3,750,000 Shares of Class A Common Stock
May 7, 1986

MCI Communications Corporation

$500,000,000

10% Subordinated Debentures
April 7, 1986

Drexel Burnham

Helping People Manage Change.

25 BIG COMPANIES

Portraits of success and failure: Where they rise and fall.

COMPANY / DIVISION	1985-86 GROWTH PROFIT%*	1985-86 GROWTH REV.	1986 PROFIT$*	1986 REV.	5-YEAR CAGR PROFIT%*	5-YEAR CAGR REV.	COMMENTS
CAPITAL CITIES/ABC INC.[1]	215.0	304.0	447.7	4,124.4	40.9	48.4	Tough cost reductions cushioned 1986 results. Revenues of $4.1 billion were buoyed by strong performance at stations, radio networks and ESPN. First-quarter results, down dramatically, were also helped by station operations.
BROADCASTING	4.0	–2.2	519.7	3,153.6	4.4	6.3	
PUBLISHING	–4.4	1.0	177.2	970.8	18.6	8.9	
CBS INC.	126.9	6.7	375.1	4,753.7	–1.8	5.2	Downsizing, sale of assets and paying off debt are credited with salvaging a year of declines in broadcast. Profits for stations and records were strong.
CBS/BROADCAST GROUP	–30.6	1.1	250.0	2,817.2	–4.6	8.0	
CBS/RECORDS GROUP	85.9	21.6	162.1	1,489.4	22.4	4.1	
CBS MAGAZINES	202.2	0	13.9	407.2	–20.1	–4.3	
COCA-COLA COMPANY	29.4	20.2	934.3	8,668.6	14.2	8.1	The entertainment division went into its fifth year with 46 percent growth in operating income over 1985. With the creation of Coca-Cola Television to oversee production and distribution, the company will expand its third operation, syndication.
ENTERTAINMENT	46.3	28.1	235.4	1,373.8	NA	NA	
GANNETT CO. INC.	9.1	26.8	276.4	2,801.5	9.9	15.4	New holdings contributed about 60 percent of last year's 27 percent operating revenue gain, to $2.8 billion. It's the 19th year of earnings gains, restrained by near-term costs of the new acquisitions and the first year of a production deal with Grant Tinker.
NEWSPAPERS	21.4		501.4	2,240.5	11.2	15.9	
BROADCASTING	27.5	32.2	115.6	351.1	20.6	20.0	
ADVERTISING	(–8.9)	1.4	46.4	210.6	3.8	6.1	
GENERAL ELECTRIC	5.9	25.5	4,310.0	36,725.0	140.1	35.6	The biggest non-oil merger ($6.4 billion) gave GE number-one network NBC, with $3 billion in revenues. The challenge for GE is to keep NBC's profits climbing (up 22 percent in 1986).
RCA BROADCASTING	22.1	15.2	406.8	3,048.7	53.3	13.5	
GULF+WESTERN INC.	7.9	13.9	267.4	3,781.1	–1.7	–7.9	Downsized severely over the last four years as G+W sold off subsidiaries; it's expanding in publishing. Despite Paramount's successes, TV, film and home video provide just 30 percent of revenues and 26 percent of operating income.
ENTERTAINMENT	86.4	7.7	128.8	1,144.8	6.0	–2.2	
PUBLISHING	35.5	18.9	140.5	944.0		43.1	
MOTION PICTURES	NA	0.3	NA	340.2		–6.8	
TELEVISION & HOME VIDEO	NA	11.2	NA	598.6		27.5	
HOME SHOPPING NETWORK[2]	108,492.4	988.2	17.0	160.2			Sales were up nearly 10-fold over '85, and the company has moved quickly to add over-the-air distribution. But growing competition hurt its prospects and its stock, which, between January and April, plunged from $47 to $14 a share.
KNIGHT-RIDDER INC.	5.6	10.5	140.1	1,910.7	6.9	9.1	What used to be Knight-Ridder Newspapers Inc. acknowledged wider operations with a 1986 name change. Simultaneously, it sheared off videotex and a mobile phone company. Broadcasting added three stations to its eight.
BROADCASTING	27.5	57.2	22.2	102.6	NA	21.6	
NEWSPAPERS	14.9	8.6	300.8	1,688.1	NA	8.3	
BUSINESS INFO. SERVICES	–20.7	11.0	2.2	88.9	NA	27.1	
OTHER OPERATIONS	22.5	10.5	12.8	63.5	NA	11.2	
LORIMAR-TELEPICTURES[3]	–76.1	31.3	4.1	542.8	–13.4	30.5	Results reflect its merger, acquisition of the MGM/UA lot, Bozell & Jacobs and—very nearly—the Storer station group. It took a charge against third quarter pre-tax income to increase reserves against an expected slump in syndication payments.
ENTERTAINMENT	–244.0	–10.2	18.0	356.5	NA	NA	
TV		–13.3		311.6	NA	NA	
FEATURE FILMS		–15.5		19.0	NA	NA	
HOME VIDEO		74.3		25.8	NA	NA	
ADVERTISING		8.9	–6.9	66.0			
MCA INC.	3.8	16.3	155.2	2,441.4	11.6	12.9	First studio to announce that syndication was so uncertain that it had dropped income forecasts and added to its bad debt reserve. A $50 million charge against TV operations made Filmed Entertainment Group results disappointing in an otherwise banner year.
THEATRICAL FILM		–10.0		283.9		–2.0	
TELEVISION		25.6		663.6		12.5	
HOME VIDEO & PAY TV		4.8		249.8			
FILMED ENTERTAINMENT[4]	–38.3	12.1	89.0	1,311.2	4.3	10.7	
McGRAW-HILL	4.5	5.7	154.0	1,576.8	9.4	7.3	McGraw-Hill's small station group increased sales 11.6 percent last year. It has grown faster than the company at large and shown higher profits, but remains a minor division, contributing 6 percent of revenues and 10 percent of operating profits in '86.
BOOKS	6.3	6.0	71.8	487.7	6.9	4.9	
INFORMATION SYSTEMS	5.4	3.8	94.2	366.1	10.1	6.1	
PUBLICATIONS CO.	11.9	–1.7	42.2	318.2	–3.1	3.7	
STANDARD & POORS CO.	17.2	10.6	74.7	311.9	28.6	19.0	
BROADCASTING	16.3	11.6	32.0	92.9	6.5	9.7	

*Company-wide total is Net Income. Segment totals are Operating Income [1]Company totals before 1986 are Cap Cities only. Segment figures combined [2]In 1985, HSN changed its fiscal year period from one ending in December to one ending in August. As a result, 1985 figures reflect only eight months

THE CHANNELS ACHIEVERS / HOW THEY DO IT

COMPANY / DIVISION	1985-86 GROWTH PROFIT%*	1985-86 GROWTH REV.	1986 PROFIT$*	1986 REV.	5-YEAR CAGR PROFIT%*	5-YEAR CAGR REV.	COMMENTS
MEDIA GENERAL	–47.9	9.7	17.0	634.6	–11.5	11.6	Management expects a turnaround from its 48 percent drop in profits by completing its cable-construction project in Fairfax, Va., breaking even at its troubled media-buying subsidiary and enhancing signal coverage at its trio of affiliates.
NEWSPAPERS	–45.7	4.3	22.3	264.1	–2.1	8.7	
BROADCAST	87.6	29.8	–.3	167.1		48.2	
NEWSPRINT	–2.5	2.1	17.3	164.6	–7.4	2.6	
NEWS CORP. LTD.[5]	50.4	40.8	171.6	2,668.3	NA	20.2	Rupert Murdoch's empire has doubled its sales and increased its profits more than five-fold in five years, expanding into films, TV stations and the $50 million start-up of the new Fox network. Its base remains newspapers on three continents, which provide half of the company's revenues.
NEWSPAPERS	92.7	22.8	107.0	1,371.8	NA	NA	
MAGAZINES	77.2	50.6	67.7	357.3	NA	NA	
TELEVISION	507.8	81.5	37.8	245.2	NA	NA	
FILMED ENT.	–	–	53.8	383.8	NA	NA	
NEW YORK TIMES CO.	13.7	12.3	132.2	1,564.7	21.9	13.2	Four-fifths of revenues still came from newspapers, as well as its highest operating profits, but its small broadcast/cable group last year showed 35.6 percent growth in revenues and 30.5 percent in net income.
BCAST/CABLE TV	30.5	35.6	14.3	93.1	32.4	20.4	
NEWSPAPERS	24.6	13.0	245.4	1,252.4	35.3	15.6	
MAGAZINES	44.6	1.3	25.5	219.2	14.2	7.6	
TAFT BROADCASTING CO.	61.0	26.0	19.4	472.8	–4.3	14.5	In 1986, Taft expanded by acquiring five TV and four radio stations. The deal upped revenues by 26 percent over '85, but sent net income down 61 percent. Recently, TVX bought five TV stations from Taft for $240 million.
BROADCAST	13.7	49.5	72.0	283.4	11.2	20.4	
ENTERTAINMENT	–56.4	2.7	13.4	144.3	10.2	11.9	
LEISURE PROPERTIES DIV.	–7.0	0	6.6	45.1	–6.4	–0.2	
TELE-COMMUNICATIONS INC. CABLE TV	614.5	11.9	72.3	645.7	49.1	28.9	Positioned for growth in 1986, TCI increased net income 837 percent, reflecting internal expansion and the acquisition of CSI. Next year should be another whopper, with Group W, UACI and Heritage purchases factored into earnings.
TIME INC.	88.0	10.5	376.0	3,762.0	20.4	2.8	The company continued cost-containment efforts, showing an 88 percent increase in net income and an 11 percent jump in revenues in 1986. Last year's results reflect the sale of ATC common stock and the acquisition of Scott, Foresman and Co.
MAGAZINES	–8.0	6.3	162.0	1,576.0	9.7	12.6	
BOOKS & INFO SERVICES	–14.1	20.1	73.0	663.0	28.3	5.0	
PROGRAMMING	–8.3	11.5	111.0	952.0	NA	NA	
CABLE TV	21.6	9.1	118.0	637.0	NA	NA	
TIMES MIRROR	72.1	–0.4	408.1	2,948.1	22.1	6.5	Times Mirror completed a plan to focus on publishing and TV by selling off unrelated holdings and acquiring *Broadcasting* magazine. Earnings set a record for the fourth year in a row, but revenues remained flat because of operations sold.
NEWSPAPERS	18.5	6.6	330.9	1,726.7	14.3	10.1	
BOOKS, MAGAZINES, ETC.	14.4	14.1	98.3	586.8	17.1	15.1	
BROADCAST TV	10.2	–1.2	70.8	127.3			
CABLE TV	–22.5	–12.8	36.6	242.9			
TRIBUNE CO.	136.5	4.7	292.9	2,029.8	26.9	7.6	The 137 percent growth in net income last year was fueled through improved margins at newspaper and newsprint operations and the sale of unprofitable cable systems.
NEWSPAPERS	14.5	0.5	200.3	1,363.7	24.6	5.9	
BROADC. & ENTERT.	9.3	40.6	65.5	466.2	17.3	26.7	
NEWSPRINT OPERATIONS	35.8	2.6	54.6	378.2	0.4	1.0	
TURNER BROADCASTING SYSTEM	(loss)	58.3	–187.3	556.9	–	42.4	Turner's two fast-growing Cable News Network channels and WTBS provide two-thirds of revenues and profits as well, but all that was swamped by debts related to purchase of the MGM film library, resulting in a $187 million loss last year.
BROADCASTING	–79.2	9.5	12.5	207.6	6.9	28.4	
CABLE PRODUCTIONS	208.9	35.7	38.6	171.8	–	42.8	
PROG. SYND. & LIC.	(loss)	1,213.9	–6.7	135.1	–	–	
PRO SPORTS	–50.6	9.2	–13.8	25.5	–	23.6	
VIACOM	(loss)	107.0	–9.9	919.2	–	34.3	Viacom is about to enter a new phase under the ownership of Sumner Redstone. Through the '80s, Viacom reported stunning 34-percent revenue growth. Acquisition-related debt made it unprofitable in '86.
NETWORKS	82.0	490.4	37.0	510.4	–	–	
ENTERTAINMENT	–14.8	16.3	21.7	77.3			
CABLE TV	40.3	13.0	46.4	232.8	24.1	22.3	
BROADCASTING	47.8	33.0	37.1	111.3	38.6	5.9	
WALT DISNEY CO.	38.4	22.6	247.3	2,470.9	15.3	19.7	Disney has enjoyed record revenues and net income, with a big assist from theme parks and a smaller one from Bette Midler. Revenues from movies and TV are the company's fastest growing, but still make up only a fifth of the total.
FILMED ENTERT.	53.1	59.9	51.6	511.7	11.0	24.0	
THEME PARKS & RESORTS	57.9	21.2	403.7	1,523.0	25.5	17.1	
COMMUNITY DEV.	–36.4	–3.2	41.8	305.1	NA	NA	
WARNER COMMUNICATIONS	–5.0	27.5	185.8	2,848.3	–3.9	–2.5	Two years after reporting disastrous losses from its former Atari unit, Warner is in the midst of a turnaround. Help has come from record profits in the filmed-entertainment and record divisions, and improved results in broadcasting and cable. Income from publishing continues to decline.
FILMED ENTERT.	7.5	4.2	172.2	1,251.3	47.4	10.6	
RECORDED MUSIC & MUSIC PUBLISHING	33.6	25	150.6	1,138.7	12.1	7.0	
PUBLISHING & RELATED DISTRIBUTION	–18.0	4.8	11.3	132.6	–5.4	9.5	
CABLE & BROADC.	282.0		16.2	325.7	NA	NA	
WASHINGTON POST CO.	–12.3	12.7	100.2	1,215.1	25.1	10.0	With a decline in operating income of 12 percent in 1986, the company could find solace in TV and cable divisions. Its TV stations enjoyed operating-income growth of nearly 21 percent, and cable contributed income of some $12 million on revenues of almost $85 million.
NEWSPAPERS	13.7	6.0	130.1	589.3	33.4	9.8	
MAGAZINES	–38.3	–1.6	17.9	320.9	5.3	1.7	
BROADCASTING	20.8	8.2	70.0	167.1	27.2	13.0	
CABLE TV	–	–	11.8	84.9	–	–	
WESTINGHOUSE	10.8	0.3	670.8	10,731.0	8.9	2.76	Broadcasting and cable operations enjoyed a five-year growth in operating income of almost 14 percent and a revenue increase to match. That helped to offset declines in the industrial and commercial divisions. The sale of Group W Cable last June resulted in a pre-tax gain of $651 million.
ENERGY & ADVANCED TECHNOLOGY	4.1	9.1	434.8	4,807.7	11.2	8.4	
INDUSTRIAL	101.0	–3.5	123.2	3,602.4	–11.7	7.0	
COMMERCIAL	32.3	–2.9	178.2	1,699.7	–0.3	–7.6	
BROADCASTING & CABLE	8.1	–21.5	149.9	838.8	13.9	14.2	

[3]Totals represent nine-month periods ending Dec. 30, 1985 and Dec. 31, 1986. Companies merged February 1986. Division results cover 1985 fiscal year, eight months ended March 31, 1986 [4]Composed of film, TV, home video, pay TV and studio tour. [5]In American dollars. Using formula of Australian dollar value multiplied by .698, the rate of exchange used by News Corp. in their 1986 annual report

Financial Achievers In Media

First Boston and its London-based affiliate Credit Suisse First Boston provide the full range of investment banking services to companies in all segments of the media industry. Ask your peers for whom we've recently worked:

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Communications Satellite Corporation
Cox Enterprises, Inc.
Devon Group, Inc.
Esquire Magazine Group, Inc.
Gaylord Broadcasting Company
General Cinema Corporation
Mark Goodson
Goodson Newspaper Group, Inc.
Gulf + Western Inc.
Harcourt Brace Jovanovich, Inc.
Heritage Communications, Inc.
Katz Communications, Inc.
King Broadcasting Company
King Videocable Company
King World Productions, Inc.
KSCI-TV
New England Television Corporation
The News Corporation Limited
Pearson PLC
Gerry M. Ritterman
E. W. Scripps Company
Scripps Howard Broadcasting Company
John P. Scripps Newspapers
Sorg Incorporated
Taft Broadcasting Company
Tele-Communications, Inc.
Tri-Star Pictures, Inc.
Turner Broadcasting System, Inc.
Viacom International Inc.
Westinghouse Electric Corporation
World Book Finance, Inc.

For large transactions, such as the $370 million initial public offering of common stock for American Television and Communications Corporation, or smaller transactions, such as raising $11 million of debt privately for King Broadcasting Company, First Boston's Media Group can help you achieve your financial objectives.

If you are considering acquisitions, divestitures, corporate restructuring or if you need to raise capital, call the Financial Achievers in Media at First Boston, Fred Smith or Chuck Ward at (212) 909-2000.

First Boston
Investment Bankers

BROADCASTING

RANK	COMPANY	ROE 1986	ROE 1985	D/E 1986	RANK	D/E 1985
	AVERAGE	0.07[1]	0.06	2.39		2.21
1	CBS	0.47	0.06	3.18	13	6.29
2	Stauffer Comm.	0.33	0.15	0.74	3	0.85
3	Chris-Craft	0.23	0.37	12.11	22	15.42
4	Cap Cities/ABC	0.23	0.16	1.64	9	1.12
5	American Family	0.23	0.16	6.40	20	5.69
6	LIN Broadcasting	0.17	0.11	0.40	2	0.21
7	United Television	0.17	0.31	2.68	11	3.04
8	General Electric	0.16	0.17	1.29	7	0.00
9	Gray Comm.	0.13	0.11	0.35	1	0.27
10	Clear Channel Comm.	0.13	0.23	3.84	16	2.45
11	GenCorp	0.12	0.08	1.02	6	0.00
12	Liberty	0.12	0.10	3.63	15	2.58
13	Park Comm.	0.11	0.13	0.77	5	0.48
14	Selkirk Comm.	0.11	0.09	0.77	4	0.83
15	Westwood One	0.10	0.10	1.60	8	0.23
16	A.H. Belo	0.08	0.08	1.85	10	1.40
17	Scripps Howard Bcast.	0.04	0.23	3.36	14	0.89
18	Jacor Comm.	0.00	0.06	2.96	12	6.75
19	Emmis Broadcasting	−0.05[3]	−0.98[3]	−3.36	24	−11.12
20	Infinity Broadcasting	−0.13	0.86[2]	5.19	19	−34.70
21	Malrite Comm.	−0.20	0.20	5.18	18	2.84
22	Sun Group	−0.42	0.08	4.41	17	4.72
23	Outlet Comm.	−0.62	−0.13	6.92	21	0.25
24	TVX	−1.57	0.18	26.14	23	2.82
25	Price Comm.	−1.76[3]	−1.55	−33.39	25	42.05

[1] Excludes TVX and Price Comm. [2]Profitable with negative equity. [3]Unprofitable with negative equity. [4] Excludes Turner. [5]Excludes Cablevision.

The Lowest Return

Although radio and television broadcasting is widely recognized as one of the nation's most profitable businesses, the field last year showed the lowest return of the four media sectors reviewed in the Achievers section.

In 1986, the field's average return on equity (ROE)—a significant measure of profitability—was 0.07, below cable's 0.12, the diversified company average of 0.17 and the production segment average of 0.16.

It is probably not just a statistical quirk. The TV station business, while essentially healthy, had problems last year. Total TV ad revenues rose by 8 percent to about $22 billion last year, well below the double-digit growth figures that had been the norm. National spot advertising is soft and, in an increasingly competitive environment, not likely to resume earlier rates of rapid growth. In the meantime, stations are aggressively trying to gain more local advertising, a marketing problem they've not solved.

The average itself is somewhat high in light of the fact that CBS, the industry leader in this compilation, reports a high ROE, in part because the company has bought back large amounts of its stock and because its profits more than quadrupled last year, reflecting austerity measures and an easing of its corporate-debt burden. Ten other companies, however, did show improvements in return on equity from 1985 to 1986. Stauffer Communications, American Family and Cap Cities/ABC were the biggest gainers.

In the overall figures, debt/equity (D/E) levels rose very slightly, although 17 of the 25 broadcast companies showed higher figures by that measure, revealing that continued low interest rates last year encouraged broadcasting firms to borrow more money. Gray Communications and LIN Broadcasting reported the least leveraged balance sheets, while TVX Broadcast Group, Emmis Broadcasting and Price Communications the most highly leveraged.

Barney

Great

Miller

legs.

COLUMBIA/EMBASSY TELEVISION

A unit of Coca-Cola Television

CABLE

RANK	COMPANY	ROE 1986	ROE 1985	D/E 1986	RANK	D/E 1985
	AVERAGE	0.12[4]	0.06[5]	2.33[5]		2.90
1	American Cablesystems	0.92	-0.14[3]	5.71	15	-5.60
2	Tempo Enterprises	0.61	0.37	8.73	19	4.89
3	Home Shopping Net.	0.36	0.04	0.98	4	11.76
4	Time	0.29	0.17	2.25	7	1.54
5	Adams-Russell	0.28[2]	0.15	-4.56	21	1.11
6	Financial News Net.	0.23	-0.43	0.58	3	2.14
7	ATC	0.22	0.06	5.97	16	0.56
8	TCA Cable	0.21	0.29	2.44	8	2.79
9	Maclean Hunter	0.18	0.20	1.02	5	1.27
10	Scott Cable	0.12	0.43	2.94	10	3.81
11	Centel	0.11	0.15	1.92	6	1.85
12	TCI	0.10	0.03	5.48	14	3.68
13	United Cable	0.08	0.30	8.24	18	9.13
14	Jones Intercable	0.08	0.11	3.04	11	2.02
15	United Artists Comm.	0.07	0.14	6.46	17	5.79
16	Rogers Comm.	0.04	-0.26	2.89	9	9.95
17	Century Comm.	0.02	0.08	3.84	12	7.93
18	Comcast	0.01	-0.13	4.31	13	2.15
19	C.O.M.B.	-0.04	0.23	0.55	2	1.82
20	Adelphia Comm.	-0.30[3]	-0.82[3]	3.46	20	-7.26
21	QVC Network	-0.41	NA	0.24	1	NA
22	Cablevision Systems	-0.43[3]	-1.29[3]	-16.59	23	-8.46
23	Turner Broadcasting	-0.90[3]	0.04	-8.21	22	11.01

[1] Excludes TVX and Price Comm. [2] Profitable with negative equity. [3] Unprofitable with negative equity. [4] Excludes Turner. [5] Excludes Cablevision.

MSO Success Story

It shouldn't be surprising that 1986 was a strong year for the cable industry and that the industry's average return on equity grew dramatically. Industrywide statistics help to tell the story. Total industry revenues rose by close to $1 billion, total subscribers grew by 2.5 million and cable ad revenues grew by $181 million, a healthy 24 percent rise.

The firms in the accompanying chart were the clear beneficiaries. From a small-but-growing, highly successful Massachusetts-based multiple-system operator, American Cablesystems—the industry return-on-equity (ROE) leader—to highly ranked programmers Home Shopping Network, Time Inc. and Financial News Network, 1986 was a very strong year for cable.

But return on equity isn't necessarily a telling measure of the health of the cable industry, since it is a business widely measured not by profitability but by cash flow. For example, industry giant and Wall Street darling Tele-Communications Inc. (TCI), the largest MSO, is typical of large operators with enormous cash flow and considerable interest payments that lower net income totals sharply. Those high interest payments reflect the enormous debt large cable companies have taken on in order to fund system construction and acquisition. TCI, for instance, reported operating income of $154.3 million last year on revenues of $645.7 million, but net income of just $72.3 million, a figure seven times greater than TCI's 1985 net income.

At the same time, the cable industry also took advantage of surging cash flows to lower its average debt/equity level, easing balance-sheet pressures. But only one of the top seven companies in the debt/equity ranking is a "pure" cable operator, reflecting the fact that the more dependent firms are on cable operations, the more likely they are to be highly leveraged. Virtually all those MSOs report debt/equity ratios well above those in broadcasting.

DIVERSIFIED

RANK	COMPANY	ROE 1986	ROE 1985	D/E 1986	RANK	D/E 1985
	AVERAGE	0.17[6]	0.15	2.58		1.58
1	News Corp.	0.44	0.40	11.96	16	6.40
2	Times Mirror	0.31	0.24	1.25	5	1.77
3	Tribune	0.27	0.14	1.35	7	1.69
4	Lee Enterprises	0.25	0.24	0.59	1	0.60
5	Washington Post	0.23	0.33	1.62	10	1.53
6	Westinghouse	0.22	0.19	1.81	11	1.99
7	Gannett	0.19	0.20	1.35	6	0.81
8	New York Times	0.19	0.20	0.99	4	1.20
9	McGraw-Hill	0.18	0.19	0.70	2	0.64
10	Knight-Ridder	0.17	0.19	1.39	9	1.00
11	Meredith	0.16	0.16	0.94	3	0.84
12	Taft Broadcasting	0.06	0.15	3.57	13	1.33
13	Media General	0.05	0.11	1.35	8	1.25
14	Multimedia	−0.01[3]	0.04[2]	−1.70	17	−1.69
15	Viacom Intl.	−0.02	0.06	3.85	14	1.65
16	Heritage Comm.	−0.04	0.07	3.10	12	2.09
17	John Blair	−1.32	−0.30	9.77	15	4.63
18	Cox Enterprises	NA	0.05	NA	18	0.77

[2]Profitable with negative equity. [3]Unprofitable with negative equity. [4] Excludes Turner. [5]Excludes Cablevision. [6]Excludes John Blair. [7]Excludes Playboy. [8]Excludes Western World TV.

Old and in the Money

Rupert Murdoch's News Corp. is the Achievers top-ranked diversified media company, an ironic statistical conclusion in light of the fact that two of Murdoch's most visible U.S. media properties—the Fox Network and *The New York Post*—lose large amounts of money.

Otherwise, News Corp., whose shares are traded on the New York Stock Exchange as depository receipts, is vastly successful, spreading across the country and around the world. About 60 percent of its revenues are produced by U.S. properties and about 80 percent of the company's break-up value would also come from U.S. holdings.

What's notable about this listing of media giants—just ahead of the production industry with the highest return of the four segments studied—is the obvious health and stability of the companies. Other than News Corp., with its huge debt, most of the diversified companies have cleaner balance sheets than their counterparts in other segments. That's largely because this group of 18 firms includes the industry's old-line media firms. The top-ranked diversified firms measured by debt/equity ratios—Lee, McGraw-Hill and Meredith—enjoy steady profits and little debt.

The companies on the list such as Times Mirror, Washington Post and Gannett, though included in this survey of the electronic media, show far more stability in both return and in balance-sheet measures because of the relative stability of publishing, their dominant business. The nation's large publishers are generally not subject to the fickleness of the television marketplace and haven't had to face the huge investment costs that accompany the development of a cable-system company.

For all the health of this group, several of the companies have disappeared, or will soon, from the nation's log of public firms. John Blair, Cox, Heritage, Viacom and Taft already are or will be part of larger companies, or will go private.

PRODUCTION

RANK	COMPANY	ROE 1986	ROE 1985	D/E 1986	RANK	D/E 1985
	AVERAGE	0.16[7]	0.09[8]	2.61		0.91
1	Aaron Spelling Prods.	1.23	0.40	4.76	22	1.01
2	King World Prods.	0.45	0.42	0.96	4	1.96
3	Dick Clark Prods.	0.43	0.49	1.08	6	1.15
4	Coca-Cola	0.27	0.24	1.38	10	1.27
5	Heritage Ent.	0.24	0.30	0.87	3	1.28
6	New World Pictures	0.20	0.34	7.88	23	7.17
7	Barris	0.20	0.11	0.21	1	0.16
8	Walt Disney	0.17	0.15	1.20	7	1.45
9	Robert Halmi	0.17	0.08	1.05	5	1.36
10	Warner Comm.	0.16	0.37	1.75	14	3.35
11	Vestron	0.15	0.48	2.14	15	0.73
12	Gulf + Western	0.14	0.14	1.23	8	1.34
13	Fries Ent.	0.13	0.09	2.71	17	0.94
14	Reeves Comm.	0.11	–1.76	1.59	12	2.12
15	MCA	0.10	0.11	0.68	2	0.61
16	Tri-Star	0.06	0.02	2.36	16	2.06
17	MGM/UA Comm.	0.05	–0.18	1.32	9	1.32
18	Peregrine Ent.	0.04	–0.34	3.04	19	2.89
19	Lorimar-Telepictures	0.01	0.09	1.53	11	1.08
20	Western World TV	–0.02	–5.97[3]	13.10	24	–17.03
21	DeLaurentiis Ent.	–0.06	NA	2.88	18	NA
22	Hal Roach Studios	–0.18	0.35	1.59	13	1.01
23	Orion Pictures	–0.28	0.04	3.41	20	1.83
24	Playboy	–3.07	0.08	3.83	21	0.98

[2]Profitable with negative equity. [3]Unprofitable with negative equity. [4] Excludes Turner. [5]Excludes Cablevision. [6]Excludes John Blair. [7]Excludes Playboy. [8]Excludes Western World TV.

Seizing on Opportunity

Last year's first-half boom in the television programming market helped propel the production and syndication business to dramatic growth, fueled by successes at both the large Hollywood studios and the smaller new breed of entrepreneurial production houses.

Only the average return on equity (ROE) of the large, diversified media giants exceeded that of the production firms, testimony to Hollywood's 1986 health. But the boom in new production companies and the successes of such giants as MCA and Lorimar-Telepictures was also marred by substantial program write-downs later in the year, after the crash in the independent-TV station world began lowering the value of syndicated program libraries.

Although the company's profits fell slightly in 1986, a restructuring of the balance sheet of Aaron Spelling Productions pushed that company into the top spot, measured by return on equity. That statistical oddity aside, the list is dotted with the successes of Spelling-type companies, producers and entrepreneurs such as Dick Clark and the King brothers of King World, a duo who built an enormous distribution empire around hot game and talk shows. Also settling into the top 10 are giants Coca-Cola, whose profitability is, of course, largely fueled by soda pop, and Walt Disney, a company whose success is driven in significant measure by real estate and theme-park holdings.

Also notable in the production-company figures is the fact that 13 of the 24 companies in the category showed higher debt/equity ratios than in 1985. In addition, the jump in the industry's debt/equity ratio compared with 1985 was the sharpest of the four segments in this survey. That reflects a year of low interest rates and an industry aggressively endeavoring to meet the needs of the growing first-run syndication and cable-programming markets. It is unclear in 1987 whether those bets will pay off.

WHAT'S AHEAD

In a difficult economic environment, the Olympics and the 1988 elections could heat up a lukewarm advertising market.

ECONOMY

Clouds On The Horizon

The recent rise in interest rates and the nation's muddled trade-policy posture combined with a drop in the value of the dollar is raising doubts about the economy's capacity to grow in the second half of 1987. If those fears are realized, media-industry hopes for a strong second half of 1987 and early '88 are threatened. There are few signs of strength in the ad climate in 1987, with first-quarter national advertising trends showing the same weaknesses as a slow late 1986.

Analysts say that the broadcasting industry can no longer count on double-digit annual ad growth, in part because of a slower national economy, but also because advertisers are merging, cutting budgets and targeting ad spending. Although network ad spending has regularly topped the inflation rate by as much as 6 percent, that won't continue if inflation moderates. "We're returning to orderly ad growth that more directly correlates to the economy," says McCann Erickson's Robert Coen, who predicts that network advertising, a proxy for ad health, will rise by 5.5 percent this year, two to three points better than expected rates of inflation and economic growth. Also suggesting a slim gap between economic and ad growth, PaineWebber's Andrew Wallach says ad spending should grow by 7.7 percent this year (up from 6.6 percent in 1986), while the nominal GNP grows at 5.8. That prediction suggests that the economic and ad pickup usually accompanying Olympic/election years will match earlier expectations.

Goldman Sachs economists say that economic growth will weaken markedly in the second half. But such a slowdown is likely to encourage policymakers to take steps to steady interest-rate levels. Sharper jumps in interest rates and a slow economy, could prompt a recession, the year's most treacherous scenario for the economy and for advertising spending. MERRILL BROWN

CABLE OPERATORS

1987: A Scorcher in the Making

Cable operators are awash in liquidity. Deregulation has enhanced MSO cash flows, filling corporate coffers to the point that they are sufficient to virtually any business plan, including costly pay-per-view installations. The boom has made cable increasingly attractive to both the debt and equity markets: Over $7 billion in transactions were agreed to last year, says analyst Paul Kagan. And the record pace of mergers and acquisitions in late 1986, aimed to beat the new tax law (and thus expected to end January 1) has continued, suggesting that 1987 will be another scorcher. Industry forecasts include, as they must, obligatory lists of risks cable may face, but analysts admit they are farfetched.

One clear sign of the industry's self-confidence is the cable money going into cable: MSOs are putting together new collections of systems, buying other MSOs and making investments that will launch or salvage program networks.

The signature, in fact, of the industry's economic activity is plain audacity. In 1987, this is a business financially well insulated and entirely in control of itself. Case in point: The FCC's sympathy for reimposing syndicated exclusivity, a regulatory heirloom from cable's less successful lobbying days, caused barely a flinch among MSOs and prompted a vast yawn among Wall Street analysts. Nobody's scared. Cable's established revenue streams are well protected—with even beleaguered pay TV nets staging a fourth-quarter recovery. Only an uptick in interest rates could alter the bullish picture, a particular problem for highly leveraged MSOs. But the slight rise in some key borrowing rates this spring and a minor drop in MSO stocks only created a new buying opportunity, said some analysts. They think Tele-Communications Inc. and Comcast are likely growth leaders over the next six to 12 months. JERI BAKER

CABLE PROGRAMMING

System Owners Are Buying In

Programming is the name of the game for driving cable-subscriber growth in the coming years, and Wall Street likes that, says Drexel Burnham Lambert analyst Jeff Russell. But as for investment opportunities, the rule of thumb is to put stock elsewhere in cable—namely into system operating companies. Few cable networks are pure plays—that is, cable programming services that are not part of larger corporate conglomerates. And after the legendary cable network shakeout of the early '80s, there are only a handful of programming services to invest in: Turner Broadcasting System for years seemed to be the likeliest, even as Ted Turner held 80 percent of the stock. But as TBS puts the final touches on a deal that lets 17 MSOs including Time Inc. in on 35 percent of the company, even CNN, Headline News and WTBS are going the way of other pure-play cable-network dinosaurs. Financial News Network and the three home shopping services (HSN, C.O.M.B. and QVC) are also relatively pure plays. As operators up their stakes in cable nets, investing in programming is a question of determining the MSOs most active in it.

"What's good for the operators is good for programmers," says Tony Hoffman, an investment banker with Union Bank of L.A. But rarely, says Eberstadt analyst Mark Riely, will a network's performance greatly influence the decision to invest in the corporate parent, unless it's a Viacom (which owns MTV Networks and number-two pay service, Showtime) or Time Inc. (HBO's parent). With the VCR threat waning, the price of pay declining as the cost of basic goes up and pay networks offering pricing incentives to operators, the pays seem to be emerging from last year's slump. On the surface, it bodes well, but a Donaldson Lufkin Jenrette report warns that reduced profit margins and marketing costs indicate hurdles down the road. CECILIA CAPUZZI

NETWORKS

Red Ink for Two of Three?

For as long as there has been three-network competition, there has never been a year in which two lost money. This could be the first, if business should fail to pick up in the second half of the year. But even if CBS and ABC were to post losses, their parent corporations will do quite well in 1987, thanks to their owned stations and other divisions.

The networks are feeling the brunt of radical change in the TV business, coincident with a general softening of the ad market. And now, the switch to peoplemeter ratings promises to complicate the selling process. "It's a tough year to call," says William Suter, who follows the networks for Merrill Lynch.

Most key Wall Street analysts anticipate a lift in fall network sales and estimate overall 1987 gains of up to 7 percent on the optimistic side, and 2 or 3 percent on the cautious side.

One of the cautious, John Reidy of Drexel Burnham, notes that NBC will be chief beneficiary of any fall revenue gains, with the other networks marking slight improvement. He tentatively forecasts profits of $15 to $25 million for CBS and losses of $55 million for ABC, both on some $2 billion in revenues.

More bullish is Ernest Levenstein of Tucker, Anthony, who sees advertising switching back from direct mail and other low-cost promotions "because network is still the most effective way to get a consumer product to market." CBS and ABC will improve, he says, because they lowered their break-even by slashing overhead.

PaineWebber's Ken Noble anticipates a boost in network stocks this fall, largely from expectations of a classic election/Olympics-year ad boom in 1988. But Noble doubts that next year will be as strong as convention would have it. He observes: "It's the economy that determines advertising." LES BROWN

PRODUCTION

The Gloom and Doom Abates

First, the good news: the outlook is brighter for the production and syndication business. Now the bad: the best is over. Program suppliers won't be returning to those halcyon days of escalating prices and revenues. In fact, some will be lucky to be profitable.

Program suppliers have suffered from Grant Broadcasting's bankruptcy, the resulting drop in prices and a soft ad market. Anticipating a strong ad market in 1988, courtesy of the Olympics and national elections, much of the gloom is abating. "By and large, things are looking up," says Hal Vogel of Merrill Lynch.

That's not to say everything is rosy. Despite the growth of new program outlets, it's hard to get a new show on the air. The number of programming hours has declined sharply over the past year, nudged downward by independent-station bankruptcies, the growth of home shopping shows and the waning of checkerboarding. Meanwhile, advertisers say they'd rather concentrate spending on proven winners like *Cosby*, or *The Oprah Winfrey Show*, whose hour format squeezes out many half-hour shows. "Other than the top tier of programming, it's still tough," says Crowell, Weedon & Co.'s Jeffrey Logsdon.

Simultaneously, networks continue pressuring producers to hold down costs. But for the first time, big studios are hinting they might agree to a financial-interest/syndication compromise granting networks partial ownership of programs. If that happens, small independent producers may face yet another shakeout. Both Vogel and Logsdon are betting on the big studios this go-round—Paramount, MGM/UA and MCA for Logsdon, and Lorimar-Telepictures and MCA for Vogel—because they will have the resources to weather the storm. PATRICIA E. BAUER

STATIONS

Clear Sailing For Local TV

Despite a disappointing first half, ad revenues for the nation's 900 TV stations are expected to recover strongly during the remainder of 1987, though gains will not match those of last year. Revenue from local TV buys swelled to $6.5 billion last year, a 14 percent increase over '85, according to the Television Bureau of Advertising. National spot sales also rose to $6.5 billion, a 9 percent gain.

Analysts offer two reasons for the relatively strong performance of local stations. Most of the economy's growth is in the booming service sector, dominated by smaller, regional companies that do not need the national saturation of network buys. Optical services were up 64 percent over 1985; medical and dental services, up 31 percent; and law firms, up 23 percent. Second, traditional network mainstays such as auto manufacturers, household-goods producers and retail chains are giving their regional managers more authority over marketing decisions, which often translates into local buys tailored to their individual needs.

Investors hoping to ride surging station revenues to quick profits may have a hard time, however. "Leveraged buyouts have removed a lot of strong stations from the public markets, and many of the rest are owned by the networks or diversified media companies, where local station earnings get buried in the mix," says Richard MacDonald, First Boston media analyst. MacDonald and Wertheim and Co.'s David Londoner are recommending Cap Cities/ABC, for instance, on the theory that it's station group will remain strong while its network operation can't get any worse. LIN Broadcasting, Multimedia, United Television and Scripps Howard Broadcasting should also continue to benefit from local and national spot gains. RINKER BUCK

CFOs TO WATCH / THE CHANNELS ACHIEVERS

MEDIA'S HOT

Four pillars of the purse who are building

WILLIAM C. BEVINS JR.

At Ted's Right Hand

Though he works in one of the media's most talked about companies, Turner Broadcasting System vice president of finance and chief financial officer William Bevins Jr. shuns publicity at every opportunity. TBS executive vice president Robert Wussler says, "He doesn't even like to go to sporting events where he can be seen in public."

Bevins has been Ted Turner's right-hand man for eight years—the one, say analysts, with the responsibility for executing Ted's impossible-sounding financial schemes. "He's been a key ingredient in the company's growth," says Wussler. Adds Lee Wilder, media analyst with the Atlanta-based financial house Robinson Humphrey Co., "He's had plenty of experience in creative financing in the last few years. It takes a special combination of personality traits to work in a company dominated by one person who's usually willing to bet the ranch."

With 17 cable operating companies including Time Inc. about to invest $550 million in TBS—while Ted reduces his holdings from 81 to 51 percent—the 41-year-old Bevins has a full plate before him this year. But it won't be the first time he's ushered TBS into a new phase—or bailed it out of tough financial times. (Many analysts blame Turner's current fiscal problems on the MGM purchase last year, saying he overpaid by as much as $600 million.)

Despite Wall Street's raised eyebrows over some of Turner's ventures (the Goodwill Games lost $26 million), Bevins is highly regarded in the financial community—described as brilliant, straight-shooting and hardworking. Though the company's finances are vast and intricate, Bevins has a small staff and few meetings. Says Wussler: "In eight years, I've never gotten a memo from Bill."

Before joining TBS, Bevins worked for 11 years at Price Waterhouse Co. Bevins suffered a heart attack five years ago while at work, and some who know him say TBS dominates his life. But with his aversion to the limelight, one can only guess what Bevins would say about himself. CECILIA CAPUZZI

PHOTO (LEFT): DEBBIE FRANKEL

GARY L. WILSON

Pluto's Paymaster

It's easy to tell that Gary Wilson, the Walt Disney Company's chief financial officer, is a key player on the team led by chairman Michael Eisner and president Frank Wells: Wilson's phone keeps ringing with calls from the two. And Wilson talks in terms of the big picture, the search for deals and the far-sighted strategic moves that will help Disney flourish into the next century.

It was Wilson's talent for long-term thinking that prompted Disney to recruit him from Marriott Corp. two years ago. Though he hadn't worked in Hollywood, Wilson's vision as Marriott's CFO and executive v.p. had helped turn a graying family run hotel business into a powerhouse. Earlier, he had guided a Philippine company out of the flagging sugar business and onto the crest of Southeast Asia's construction wave. Now at 47, the tall, boyish Wilson is one of a handful of people who have helped steer Disney in its phenomenal turnaround. Since he arrived in the fall of 1985, Disney's stock price has more than tripled while profits and revenues have surged as well.

A native of Alliance, Ohio—a town with fewer inhabitants than Disney has employees—Wilson parlayed football skills into an athletic scholarship to Duke University. That was followed by an MBA from Wharton. He still cherishes teamwork, not claiming credit for Disney's winning game plans but admitting to a role in key plays. The Silver Screen II and III partnerships, for instance, brought Disney $500 million in film production money—far more than any single studio had raised in public markets. Disney's Arvida real-estate division was sold for $400 million, double what the company paid two years ago.

Wilson has also been overhauling the company's finance department and possibly even creating a group of independent television stations around recently acquired KHJ in Los Angeles. "When the right strategic decisions are made and a lot of value is created—that's what I pride myself on," he says. PATRICIA E. BAUER

MONEYMEN

the media industry of the '90s.

ROBERT E. HAMBY

RONALD J. DOERFLER

Multimedia's Maverick

Wall Street's vocabulary expanded considerably in 1985 when Multimedia Inc. coined "recapitalization merger" for its defense strategy against a takeover bidder. Others preferred "public-leveraged cashout"; still others "public-leveraged buyout." Whatever the new jargon, Multimedia deftly hired away Robert Hamby, its Peat Marwick Mitchell accountant for more than a decade, to help assure that this first-ever maneuver was done right.

Hamby, now finance v.p., had done everything as head of Peat's tax department, from considering the tax implications of Multimedia's acquisitions (it has five TV and eight radio stations, 47 newspapers and 100 cable franchises) to doing taxes for the founding Peace and Jolley families.

Hamby was raised near Multimedia's Greenville, S.C., headquarters and worked in textile mills during college. "I don't come from money," he says. "Sometimes I still can't grasp that I'm an officer of a major firm addressing Wall Street analysts."

Multimedia, of which family members and management still own almost 40 percent, intended the recap merger as a shield against charges that management's proposed LBO discriminated against minority shareholders. Multimedia "found a way to treat all shareholders like family," Hamby recalls. "No one had ever done it before. We used the LBO maneuver of providing shareholders with stocks and bonds, but instead of thereby buying them out, we let them continue as owners." It was a highly leveraged company then but the stock has since gained well over 100 percent.

Hamby's first priority is to reduce debt. Multimedia added standard poison pills to its recap papers, so it feels safe from takeover. Bank loans for the deal neared $625 million; the company was $65 million ahead in paybacks by 1986. Multimedia also issued $480 million in high-interest subordinated debentures. Hamby's next priority is to choose the right moment to refinance. "And to act as the president's right arm," he adds. JERI BAKER

Cap Cities' Quiet Man

In January 1986, when Capital Cities swallowed ABC, the responsibility for shepherding the two companies through the difficult merger of their financial structures fell to Ronald J. Doerfler, Capital Cities' chief financial officer. Since then, Doerfler has spent many long nights at Cap Cities offices in midtown Manhattan securing the $1.6 billion in financing that holds the deal together, divesting another $1 billion in cable and station assets and overseeing a series of traumatic budget cuts at the network. The divestiture program alone involved the sale of more than ten separate operations over two and a half months. Yet, in the traditional Cap Cities mold, Doerfler, 45, worked quietly and confidently behind the scenes, asking for no particular credit when all the pieces finally fell together.

"The only question I've asked myself all these months is: 'It's 7 p.m. Why am I still at my desk after a 12-hour day?' " says Doerfler. "It's been a lot of work."

Doerfler joined Cap Cities as an assistant controller in 1969 and rose steadily through the ranks before being named CFO in 1980. It was during this period that he earned a loyal following on Wall Street for his dry, understated style and attention to detail, especially the tax and accounting implications of corporate mergers. His only departure from the tone set by Cap Cities chairman Thomas Murphy is his thick brown goatee, now flecked with gray.

Lately, Doerfler has devoted more time to the long-range implications of the Cap Cities/ABC merger. He was forced to write down $290 million worth of entertainment and sports programming costs that were "overvalued" by ABC. The disclosure of such figures in recent months amounted to a tacit admission that key liabilities were overlooked in the acquisition. Typically, Doerfler doesn't dodge the issue.

"It's safe to say that the business we contemplated buying in 1985 was better than the one we ended up owning in 1986," he says. "The marketplace has deteriorated more than we thought, and now we're facing up to that." RINKER BUCK

Wometco WLOS, Inc.

owner of television station

WLOS-TV

(Greenville - Spartanburg, SC - Asheville, NC)

has been acquired by

AMC of Delaware, Inc.

an affiliate of Anchor Media, Ltd.

The undersigned acted as financial advisor to Wometco WLOS, Inc. in this transaction.

MORGAN STANLEY & CO.

Incorporated

May 1, 1987

IN FOCUS

What's Hot in Marketing

Back To Basics

There may be many new players, but in promotion there's really nothing new under the sun. Is a return to fundamentals the answer?

A new revisionism is sweeping marketing and promotion. After a decade of looking upon the challenges facing television—the rise of cable, the VCR and independent stations—as an all-out war to attract viewers, promotion executives now realize that the toughest competitors in their markets are the same ones as before: entities that are most like themselves. To attract the ratings and demographics they want, network affiliates must first battle other affiliates; independents have to nibble away at other indies; and cable programmers have to distance themselves from the host of competing services on the selector box.

The renewed emphasis on competing directly within one's own domain has brought about two important changes. First, an increasing number of broadcasters and syndicators are advocating a return to the fundamentals of promotion: fresh approaches, simple messages, solid writing and production values. Second, because advertisers are as concerned about demographics as ratings, promotion departments are becoming more skilled in their use of audience research, whether devising an entire campaign or a single spot.

Our *In Focus* section examines this trend from three directions. Jean Bergantini Grillo shows how some affiliates are using a new twist on localism to make inroads in competitive news markets. Patricia Bauer describes how Geraldo Rivera's irrepressible self-promotion has been put to work for Tribune Entertainment and Cecilia Capuzzi analyses Nickelodeon's new strategy in childrens' programming.

Each, of course, is a unique tale of promotion, but they all share a common theme. While the fundamentals of promotion—creativity, the willingness to take risks, strong execution—may not have changed, the hardest part is bringing them all together in a single campaign.

For Gannett's KARE-TV, localism means sponsoring an elaborate fireworks display during the annual St. Paul (Minn.) Winter Carnival.

Making Localism Count

It's no longer enough simply to talk about community service. Stations have to get involved. BY JEAN BERGANTINI GRILLO

Four years ago, when the Gannett Company paid $75 million for WTCN in Minneapolis-St. Paul, the station was arguably one of the weakest major-market affiliates in the country. Under its previous owner, John Kluge's old Metromedia Television Inc., WTCN had been converted in 1979 from an independent to an NBC affiliate, but it remained a perennial ratings loser to the two powerhouses of the Twin Cities market, WCCO-TV (CBS) and KSTP-TV (ABC). WTCN had further damaged its reputation by running a desperate series of promotional spots that humorously attacked the competition, outraging viewers who felt this local "Edsel of news" had no right to compare itself to the Cadillacs of the market.

These image problems were compounded by a succession of call-letter changes that began in 1985, when Gannett renamed the station WUSA. One year later the company bought WDVM in Washington, D.C. and abruptly decided to make it WUSA instead. The Minneapolis outlet was redubbed KARE, following the logic that if market leader WCCO enjoyed a reputation as the *thinking* person's station, KARE would become the station for *feeling* people.

KARE-TV's John Bachman and Kirsten Lindquist at the "ice desk" during St. Paul's Winter Carnival.

Corny as it sounds, the gambit actually appears to be working. Over the past two years KARE has climbed out of the cellar and become a genuine contender in Minneapolis. Its 10 P.M. newscast—once almost 20 points behind in the ratings—is now tied for number two, and KARE claims to have the best adult demographics in the market.

The key ingredient in KARE's revival has been to position itself as the station that not only talks about community service, but backs up its commitment by becoming an active participant in solving specific local problems. This twist on localism is quickly gaining ground at many other affiliates across the country as a means of standing apart in competitive markets.

"As television becomes fractionalized, community involvement is a way for a station to differentiate itself from being just another local vendor," says consultant Jerry Wishnow, president of the Wishnow Group in Boston, a longtime advocate of localism.

"It's no longer enough for stations to say that things are bad," says Willis Duff, a senior partner in Audience Research & Development in Dallas. "They must be involved in real-life problem solving, in offering solutions. They have to show ways that involved citizens can right a wrong."

The original inspiration for KARE's community-service emphasis grew out of two fundamental traits of the Minneapolis market. First, the competition at WCCO and KSTP had outstanding news departments with established reputations for breaking news and identifying community problems. The market obviously didn't need a third strong news outlet, but KARE could position itself against the others by becoming known as the station that helped solve community problems. Second, the station's ratings were so weak that its own airtime was virtually worthless as a promotional tool. Says Steve Thaxton, KARE's vice president for advertising and promotion, "We needed community events because, in many cases, attendance at them was greater than our own on-air audience."

Thaxton and KARE general manager Joe Franzgrote also learned from community leaders that many worthy pro-

TV Goes Postal

Direct-mail promotions—long a mainstay in the print field—are gaining acceptance among the nation's broadcasters. Through limited mailings to advertisers and bulk mailings to viewers, stations are using the local mail drop to reinforce the messages in their promo spots. Interest in direct mail has become so widespread that a workshop on desktop publishing was part of the BPME convention in Atlanta this year.

The station move to direct mail is not without irony. The booming direct-mail business—between 1976 and 1986 it grew from a $4 billion to a $17 billion industry—has relied on heavy TV buys to break through the clutter of junk mail sent into American homes. Now broadcasters are simply borrowing a marketing tactic of one of their major advertisers.

Chronicle Broadcasting's KAKE-TV in Wichita, Kansas, which reaches the entire state through satellite arrangements with two other stations, broadcasts in the heart of the Midwest's "tornado alley," and its detailed weather reports are a news staple. To promote that image to viewers, KAKE distributes a weather brochure through Welcome Wagon programs. Nashville's WSMV mails four-color brochures to 2,500 "new movers" every month, using a list prepared by a local market-research firm.

Weather also played a critical role in the direct-mail efforts of KWWL in Waterloo, Iowa. In 1983, the station's broadcast tower was felled by a freak ice storm. KWWL continued to broadcast from a temporary tower, and mailed a newsletter to advertisers to keep them informed of developments until a new tower was built. Other advertisers asked to be included on the mailing list and now KWWL's *Signal*, an attractive, eight-page quarterly with articles about the Waterloo market, is sent to 1,500 customers.

Perhaps the most ambitious direct-mail campaign was that undertaken by Chronicle's flagship station in San Francisco, KRON-TV. In 1984, the station sent a mailing to 337,000 Bay Area *TV Guide* subscribers, inviting them to join a new "KRON-TV Viewer Advisory Council." More than 18,000 recipients—about 5 percent—responded. Advisory Council members receive quarterly newsletters and questionnaires and are invited to weekly luncheons at the station, where they comment on programming and preview promotional spots. The station's cost: $130,000 annually.

Favorable reaction among advisory council members was an important factor in the station's decision earlier this year to begin airing condom ads.

"It's like a permanent focus group," says Bruce Lindgren, promotion director. "This industry is in love with the 30-second spot, but people are too overwhelmed today by the clutter on TV, and we have to think of more intimate ways of reaching them. By pulling off the *TV Guide* list, we're reaching a subscriber who's already highly involved. I'm amazed that more stations don't do this." RINKER BUCK

jects were not meeting their potential due to a lack of resources and publicity. KARE decided to become the station that always showed up to pitch in and help out.

In 1984 KARE initiated an annual Health Fair in Minneapolis that provides elaborate disease screenings for 50,000 citizens at booths around the city. In cooperation with the Minnesota Vikings, KARE sponsors a geography education program for local school students. During St. Paul's annual Winter Carnival, KARE pays for an elaborate fireworks display that is televised on the station and even creates a special "ice desk' set so that its news anchors can cover the event from the carnival. Lengthy public-service campaigns promoting child safety, aid for teenage runaways and food banks are also aired.

KARE—Channel 11—solidified its image by broadcasting a live special in prime time honoring 11 outstanding local citizens (*11 Who Care*) and a news series featuring station executives visiting local communities and soliciting viewer reaction. These efforts were pulled together by a general theme spot which featured a chorus singing, "The big stories are for anyone to break, but the difference is the time we take. . . . You're the one who really matters."

Gannett's experience in Minneapolis was similar to the challenge faced by Boston's CBS affiliate, WNEV-TV. The station, owned by New England TV Corp., faced strong competition from Hearst's WCVB and Group W's WBZ, both of which have long records of community service. Instead of taking the competition head on, WNEV broadcast a spot crediting *all three* affiliates for their good works. The tag line for the promo boasts: "We're all on the same team."


KARE's Joe Franzgrote

"Affiliates have to search for ways to be the good guys, even if it means lifting up all the other guys in the market as well," says Los Angeles television consultant Stefan Gerber, who created the spot for WNEV. "It's the affiliates that have this unique ability to do good and connect with their audiences in other ways than simply selling advertising."

Enthusiasm for a more active community-service role is not restricted to Minneapolis or Boston, of course. Stations contemplating this approach have to make certain that they touch all the right bases first. "To make it work, you must first isolate a genuine problem," says Boston consultant Jerry Wishnow. "Then find a way to intervene in a measurable way. Last, you need to form an alliance with nonprofit groups in the community. No station is equipped to do it alone, and the key is making viewers feel that their voice is going directly to the station's ear." ●

Selling the Children

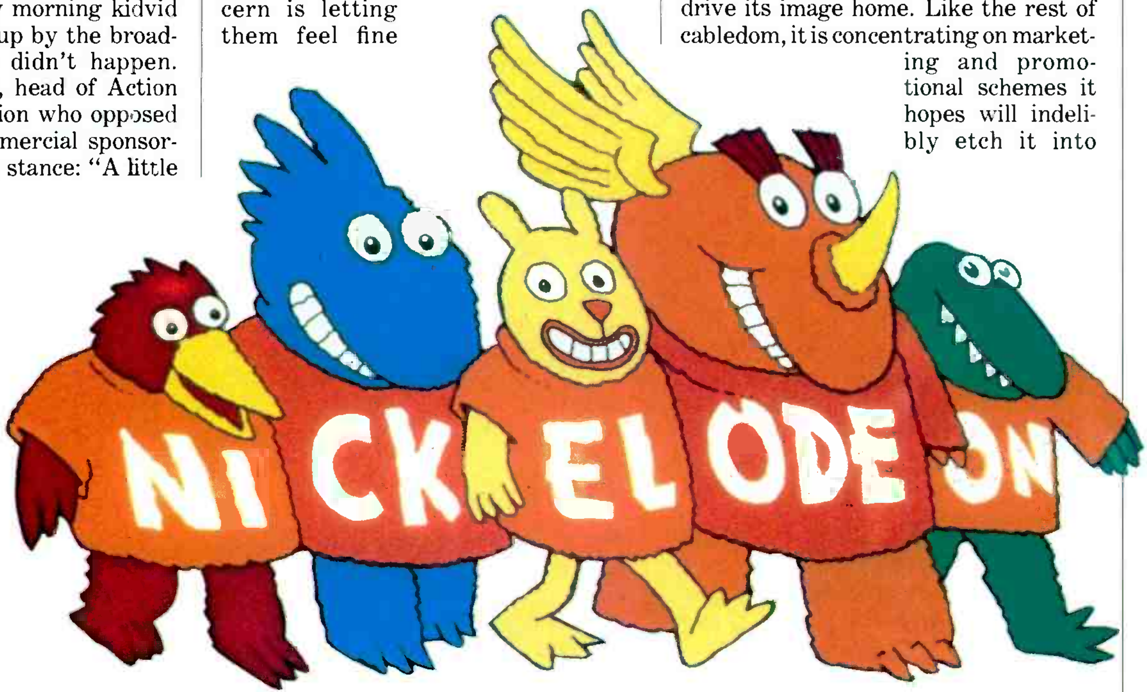
How does Nickelodeon keep kids happy and still appeal to sponsors and parents? It launched Kids' Day and Green Slime. BY CECILIA CAPUZZI

Four years ago, when the children's cable network Nickelodeon announced it would begin accepting advertising, few—save advertisers and some Nick officials—were happy about it. Critics claimed the channel would resort to more typical Saturday morning kidvid fare, the kind served up by the broadcast networks. That didn't happen. Even Peggy Charren, head of Action for Children's Television who opposed Nick's move into commercial sponsorship, has amended her stance: "A little capitalism where children are concerned is not the end of the world. I thought commercials would affect their programming, but they didn't."

What's going on here? For years, critics have watched Nick closely, ready to pounce at any sign that its programs, or its program sponsors, exploit kids. Not only is the Viacom International-owned channel aggressively capitalistic, it's also become a product-development and marketing test for cable as Nick marketeers busily concoct shampoos and soaps and launch giveaways, drawings and game shows. Says Robert Roganti, MTV Networks president of operations: "Nothing is not being looked at."

At the same time, the network seems to have comfortably gained the acceptance of kids, parents, cable operators and advertisers who recognize the vast potential in the children's audience. "We're not out to educate kids," says executive vice president and general manager Geraldine Laybourne. "We had a lot of that programming on at first and nobody watched. We're trying to give kids an entertainment network where they can be kids—where we're not pressuring them with adult problems. We may not be teaching them math or history, but that's not our concern. Our concern is letting them feel fine about being kids. Kids come to Nick because it's their home."

They also come to Nickelodeon because it looks like fun—and Nick officials are betting their marketing dollars that that tone will carry them, both on and off the air. With Nick in 30 million homes (up from 1.5 million in 1980 just after its start-up) and with the successful launch in 1985 of adjunct service Nick at Nite under its belt (making Nickelodeon a 24-hour service in 80 percent of its subscribing homes), the network is starting to have real clout. A fancy marketing study done recently by Yankelovich Clancy Shulman reinforces Nick's claim of being the kids channel (75 percent nationwide are familiar with it; 92 percent of Nick subscribers agree with the statement "Nick understands kids"). Now with 19 of television's top 20 advertisers as sponsors, the network is in a position to drive its image home. Like the rest of cabledom, it is concentrating on marketing and promotional schemes it hopes will indelibly etch it into kids' hearts, on operators' channel lineups and in advertisers' budgets.



A Nickelodeon logo: 'We're trying to give kids an entertainment network where they can be kids.'

Though the network has been involved almost from the start in contests and gimmicks as a way to generate viewing from its primarily 2- to 15-year-old audience, most were self-contained efforts. Now the service ties in with advertisers and merchants frequently, going for high-profile events that generate publicity and hoist the Nick logo in stores, fast food joints and on the local news. Perhaps the most successful example was last year's "Kids' Day" held in Salt Lake City. Hoping to turn the event into a national holiday eventually—along the lines of Mother's Day and Secretaries' Day—Nick started in a single market and managed to get ten local kids appointed to public office (there was a kid mayor) and other key community positions including a television newscaster, police chief and zookeeper. Then the city was turned over to kids while Hardees fast-food outlet and local stores tied in by offering discounts and free gifts. Local TV news shows ate it up, as did the all-important (to the cable operator) city officials. This year, Kids' Day will happen in five markets: Minneapolis, Pittsburgh, Salt Lake City and two others not yet confirmed. Nancy Allen, Nickelodeon vice president of marketing, says a major part of Kids' Day's success is that it teaches kids to take charge, but to the network, the effect of the publicity—and the enthusiasm advertisers have shown for the event (this year McDonald's will tie in also)—can't be understated.

Nick is also going for the off-beat in its programming, looking increasingly like a prepubescent counterculture that excludes the nerd adult. Laybourne admits that the crazy fast-paced *You Can't Do That On Television* is misunderstood by mainstream adults. And *Rated K*, a new Nick program modeled on Siskel & Ebert's *At The Movies*, is hosted entirely by kids who review the movies they're interested in. "Built into it," says Laybourne, "is an us versus them feeling." On Academy Awards evening, for example, *Rated K* held its own version of the awards. None of its nominees, Nick officials point out, coincided with those in the adult show.

Its newest marketing foray, however, holds the most possibilities for crystalizing the Nick image—adding not only additional viewers, but ancillary revenue to the operation. Taking a page from the books of other successful children's programmers such as Disney, Children's Television Workshop and even sister-service MTV, Nick introduced green slime shampoo and soap last September. Inspiration for the product came from the Nick show *You Can't Do That On Television*, where every time a kid says "I don't know," a slimy green substance is dumped on him. Some kids, says Laybourne, have been known to deliberately mess up just so they can get slimed. Sure enough, slime sales were three times what Nick executives expected and after limited availability initially, the bubble-gum smelling ooze

Some 75 percent of American kids know Nick.

captured the attention of hospital gift shops and schools, which are considering having students sell it door to door as a way to raise money. In April, Toys 'R' Us began carrying the line. Green slime is set for a massive retail launch in time for Christmas and Nick officials are convinced that they can spin off other products successfully.

Two years ago, Nancy Allen joined Nick to head up marketing and product licensing. A former vice president from Marvel Comics, she is developing products under four Nickelodeon "umbrella lines:" toys, clothing, home video and publishing. So far, only two products other than green slime are in the works. One, a game board modeled on Nick's game show *Double Dare*, is still in the talking stages; and the other, a comic strip based on *You Can't* is published in TVSM's *Cable Guide*. "Once we made the decision to go into the kids marketplace with shows like *Double Dare* and *You Can't*," says Allen, "merchandising became a natural companion."

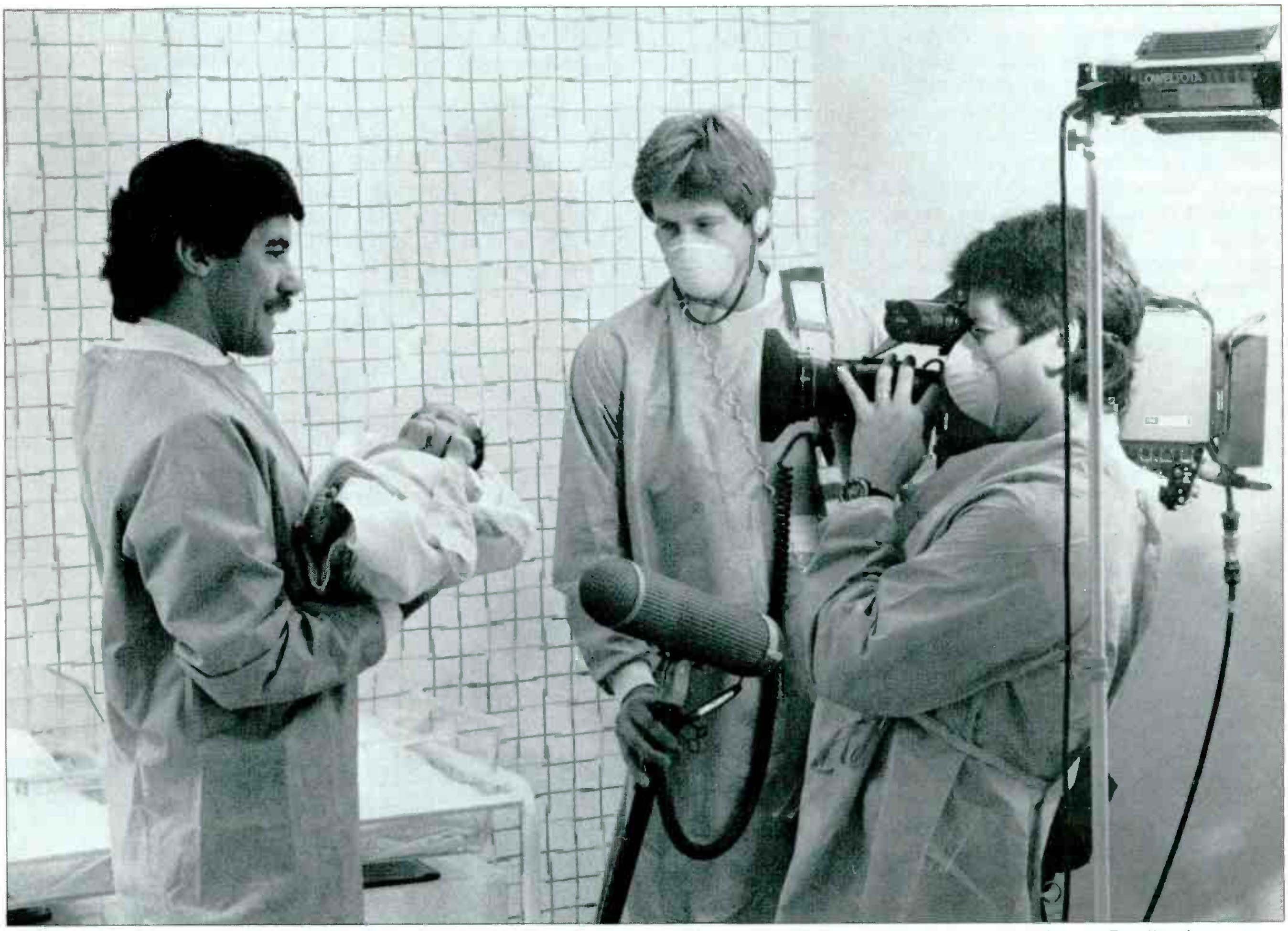
But Roganti is sensitive about criticisms that Nickelodeon may be too commercial. Charren, with her toned-down views on the appropriateness of advertising to kids, has warned that problems will start if programs are developed around products. "Are we going to make money on this?" says Roganti. "Yes. We are a business after all."

Indeed. And Nickelodeon has gone through great pains and expense to know its business—and its audience. The recent Yankelovich Clancy Shulman study, commissioned with *USA Today* and titled "Youth Monitor" ($15,500 for those who are not Yankelovich clients), points up the extraordinary influence kids have in buying decisions concerning everything from food to the family car. Roganti says Nickelodeon has led the pack in defining "the new child" and is now even teaching the broadcast networks the ropes. "A lot of advertising clients out there assume that what worked ten years ago, especially in programming, works today," he says. And advertisers, anxious to reach kids who, research says, know what brand of clothing they want to buy from ages 11 through 14, are all ears: "Advertising to kids is a way of doing business now," says Jack Irving, senior vice president at DFS Dorland. "The more visibility Nickelodeon gets, the better it is for advertisers." ●


Salt Lake City Kids' Day: 'A little capitalism where kids are concerned isn't the end of the world.'

What Makes Geraldo Run?

Say what you want about Rivera's journalism. When teamed with Tribune's marketing savvy, it sells. **BY PATRICIA E. BAUER**



DEAN PAULEY

During the filming of Tribune Entertainment's *Innocence Lost*, Geraldo Rivera posed with a newborn at a home for unwed mothers in Fort Worth.

When Geraldo Rivera came to the Dallas-Fort Worth area this spring, the ostensible reason was to gather news, not to make it. He was planning to film teenage girls and their babies for the special he was coproducing with Tribune Entertainment, *Innocence Lost*. But over the two-day visit, Rivera didn't get to spend much time at the local home for unwed mothers.

Instead, he made two dozen commercials for the special, with local plugs for Fort Worth independent KTVT and its sister Gaylord stations. He sparred with local TV critics and did an interview for KTVT's news broadcast. He even spent hours posing cheerfully for grip-and-grin shots with KTVT's biggest advertisers at a hotel reception.

It was all part of a sophisticated, highly orchestrated plan to sell the show and the man himself. Though Rivera has frequently come under fire by critics for his mawkish brand of journalism, his showmanship and notoriety have been a marketer's dream for Tribune. "Geraldo is one of the best natural promoters in the business," says Jim Ellis, vice president of creative services for Tribune Broadcasting Co. "It's just like breathing for him."

Working together, Tribune and Rivera have elevated hard sell to high art, even adding a one-minute "window" for stations during the show along with the standard press releases and 8x10 glossies. It's worked. Tribune has assembled some of the largest audiences for one-time specials in the history of syndication.

Many syndicators are devoting more attention to marketing these days, mindful of the broadening of the TV marketplace and the increased competition for viewers among independent stations, cable, home video and the networks. But Tribune has hustled harder than most with the Rivera specials, *The Mystery of Al Capone's Vaults, American Vice* and *Innocence Lost*—in part because the high-risk economics of the shows have demanded it.

Each of the specials, and two more that will follow, has been distributed on a full barter basis, with Tribune's only source of revenue coming from the commercial minutes it sells. The ad rates are keyed to audience ratings figures, so Tribune's profit margins are determined by the number of viewers it can deliver. And because the much-vaunted "live" segments make the specials one-time events, the company has only one chance to get its money out. "The key," says Jack Devlin, Tribune Entertainment's creative services director, "is to be willing to go to all extremes—to tap everything you've got to make this turkey fly."

What that means for Tribune is a full-fledged promotional campaign for each of the specials, at no extra charge to the more than 180 stations that have carried them. Each campaign cost Tribune about $200,000. That's roughly what a network would spend promoting a special, though Tribune was able to get more for its money by doing most of the post-production on its TV commercials in right-to-work Georgia.

In the *Innocence Lost* campaign, stations got a package of 14 network-quality promotional spots and a promise of help for the stations that wanted to produce more on their own. "Fourteen? Half that number is high," says Lance Webster, member-services director of Broadcast Promotion and Marketing Executives. "There are some syndicators who send only one or two promos, and some who send none."

Tribune's promo package ran the gamut from hard sell to soft. There were promos to be run in news shows, with footage of teen prostitutes and runaways borrowed from the special. Or, for time slots with appeal to young adults, there were lush, fast-paced promos with a rock beat. And for women viewers, some promos featured a soft-talking Geraldo expressing his concerns about American youth. All played heavily on the show's dominant themes: fear, curiosity and the wish to help.

The idea was to encourage local stations, many of which don't have sizable promotion budgets, to devote airtime to advancing the show by giving them something they could slap on the screen the moment it arrived. "Just about anything they send us, we use," says Barbara Deaton, promotion manager for KPTV in Portland. "With just three employees in the promotion department, we're all working full force every minute of the day. We wouldn't have the budget to create something ourselves." Bigger stations got Rivera to cut special promos in their studios.

Among the most innovative tools in Tribune's collection was the one-minute window. Most stations jumped at it, happy for an easy way to portray themselves as concerned local broadcasters. On Chicago's WGN, Cubs pitcher Rick Sutcliffe urged kids "not to strike out in life." Anchors and newscasters across the country interviewed local experts and urged runaways to contact authorities, and many stations reported receiving hundreds of calls in response.

"The local community doesn't understand it's something they provided for us," says Lisa Wilson, promotion manager of WXMI in Grand Rapids, Michigan. "They think we thought of it ourselves, so it's great for us. It not only lends credibility, but it increases our community involvement."

Tribune also advised stations on handling press and coordinating their own promotion. The syndicator paid for ads in local editions of *TV Guide* and provided radio promos and video news releases for use in local newscasts. Many stations backed up their promos with video news releases, which featured Rivera excerpting teen runaway statistics from the special—though few news directors saw that as part of the promotional effort. "I felt there would be a great deal of interest in our community," says Jerry Fedell, news director for WKBW in Buffalo. "So it was a legitimate story for our newscasts."

It's difficult to tell where Rivera's persona leaves off and the power of promotion begins, but there's no doubt the combination has been formidable. The Capone show, in which the mobster's vault yielded up nothing more than a couple of old beer bottles, got a 34.2 rating—making it the top-rated syndicated one-time special ever telecast.

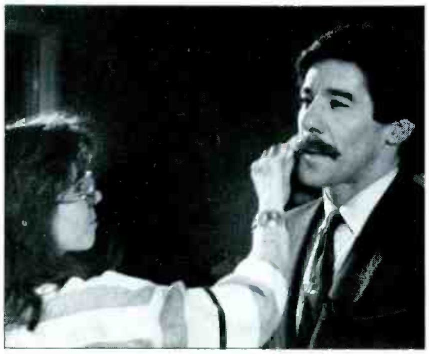
American Vice, remembered chiefly for its three live drug busts, was number five on the syndication hit parade with a rating of 17.2. And *Innocence Lost*, a show with less of Rivera's usual grandstanding, did a 10.8—disappointing, but still much higher than the stations had been pulling in on their own.

After that kind of success, it seems likely that Tribune's example could encourage other syndicators to offer more marketing help to stations—who are, after all, their partners in the ratings war. "I think Tribune is better at it than everyone else," says Dale Palecek, acting promotion manager of Fort Worth's KTVT. "But everyone else is trying to catch up." ●

GERALDO'S HARD AND SOFT SELL

TITLE: "Search for Solutions"
TARGET AUDIENCE: Women/adults.
LENGTH: One minute.
MUSIC: Gentle orchestral.
SCENE: Somber and business-suited, Rivera sits in front of a soft brown studio backdrop.
AUDIO: "I'm a parent of a 7-year-old son, and, like your children, he's growing up in this confusing, sometimes dangerous world. I'm concerned because more than ever kids are running away, getting high, hurting others and even killing themselves. Together, we'll search for solutions. I hope you'll watch this live special, with your children."

TITLE: "Two Million Runaways"
TARGET AUDIENCE: Teens/young adults.
LENGTH: Ten seconds.
MUSIC: Ominous, haunting.
SCENE: Rivera strides down a neon-lighted city street in jeans and a leather jacket.
AUDIO: "Tonight, there are between one and two million runaways out on the streets. Is one of them your kid?"


DEAN PAULEY
Rivera is made up before a promo shoot.

Clutter: Out of control?

"We'll return to our important commercial messages in just one moment...right after this brief pause for programming."

Things haven't really gotten that bad yet in television. Still...I am concerned.

Last month, as you may know, I retired from the world of broadcasting. It's an industry I love and which has been good to me. Filled with bright and dedicated people, it plays a uniquely important role in our country.

Yet for some time now, I've been troubled by certain trends. In an age of Federal deregulation, no industry code, and unprecedented financial pressures, I fear that broadcast television has begun to lose its identity and mission.

The Benefit of Traditional Regulations

We in Group W have long argued that American broadcasting would be best served by retaining certain traditional regulations. We believe, for example, that the Fairness Doctrine has stimulated freedom of speech by requiring those granted a broadcast license to provide their communities with a broad range of viewpoints on controversial issues.

Similarly, by requiring licensees to own and operate a station for at least three years, the Anti-trafficking Rule encouraged the idea of broadcasting as a public trust and long-term investment, rather than overnight speculation.

A Threat To The Public Interest

After the FCC abolished this Rule in 1982, some stations have been owned by as many as three different licensees within a year. And our entire industry has been swept by multibillion-dollar mergers, acquisitions and takeover attempts, with concomitant levels of debt that threaten news and other public-interest programming.

But no less important is the immediately visible problem of commercial clutter. I believe that by permitting ever-increasing amounts of clutter, we're in real danger of damaging television, of cheapening it.

Please understand. I'm not offering up a sermon on lofty ideals and the dangers of grubby materialism. The real conflict is not between business and charity, but rather between two kinds of business enterprise: smart and dumb. By aiming at today's maximum bottom-line, we risk diluting television's potential as the greatest advertising medium the world has ever known.

No One Wins

Clutter is like inflation. In the short run, inflation benefits a lot of people. In the short run, commercial clutter benefits many in our industry.

But in the long run, clutter -- like inflation -- is bad for everyone: our audiences, those who create our programming, the artists who design and execute the commercials, those who purchase advertising time, and eventually the very medium itself.

The facts of clutter are beyond dispute. Since 1965, the number of network commercials in the average week has almost tripled from around 1800 to nearly 5400. In the last two years alone, local station commercials have increased by 20 percent.

Enter The 15-Second Commercial

Some of the recent surge has been caused by an introduction, in 1984, of the 15-second ad. Last year, network 15-second commercials represented about 20 percent of the total inventory. This year, they will likely account for about 30 percent. And by 1990, according to J. Walter Thompson, fully half of network ads will be 15 seconds.

These trends will be made even worse by two other forces.

The networks, under severe financial pressure, will almost certainly continue to increase the number of commercial minutes per week, as they have with regularity in the past.

The Proliferation Of PCAs

In the meantime, syndicators will continue to expand the commercialization of PCAs (promotional consideration announcements.) Not long ago, PCAs appeared only at the end of game shows -- brief flat camera-card pictures with voice-over: "Transportation for contestants was provided by X--- Airways." Today, they frequently are full-fledged 10-second moving commercials, scattered through the program, and often not even directly tied to the content of the show.

Six such announcements add another minute of commercial clutter per half-hour, with no financial benefit to the station. Add that to the prevailing 6.5 minutes of commercials, all of which could now be devoted entirely to the new 15-second ads, and we have a theoretical potential of 32 commercial messages in a 30-minute program.

And today's potential is likely to become tomorrow's reality. One can predict, as a kind of Gresham's law, that those stations and networks that clutter will gain a short-term economic advantage, thereby forcing everyone else to do the same.

Can anyone doubt the impact that kind of clutter would have on broadcasting?


Daniel L. Ritchie

Viewers Become More Antagonistic

Audiences are very conscious of clutter. Indeed, they tend to overestimate it. On our logs, four 15-second spots look the same as one 60-second commercial. But most people don't view television with a stopwatch. They believe a cluttered minute has stolen additional time from the program they're watching. They're not only aware of clutter, they hate it.

This is particularly true of certain viewers, including adults between 18 and 34, cable subscribers, VCR owners, and viewers with remote-control devices. In other words, television is turning off those viewers who represent a growing percentage of our total audience, those who are above the median in affluence, and those who represent our future, rather than our past.

Advertiser Recognition Is Plummeting

But not only do our audiences hate clutter, they're also confused by it. Network commercials increased from 1965 to 1981 by 150 percent. During that same period, viewer recall declined dramatically.

Self Regulation Preferred

I'm certain that most broadcasters would agree with me in preferring self-regulation to any new regulations by Big Brother. A tough NAB Code on clutter would be more efficient and productive (and considerably more pleasant to work under) than any likely FCC regulation.

But any NAB Code will require a Congressional act, exempting the industry from the kind of antitrust judgement by which the Courts eliminated our old Code in September 1982. This makes many broadcasters nervous -- and with reason. There is a real danger that Congress, in considering a new Code for Television, would soon intrude into questions of program content.

What broadcasting does not need is regulations based on vague, idiosyncratic opinions, on personal evaluations and judgement-calls -- just the kind of regulations that would threaten our genuine First Amendment freedoms.

Clutter Can Be Controlled

In contrast, the problem of clutter is particularly suitable for regulation. Clutter is a fact -- specific, discernible and quantifiable: so many messages, so many seconds. Yes. No.

This distinction is clear to leaders within our government and within our industry. If these leaders choose to work together, I believe the threat of commercial clutter can be defeated.

If it isn't, I'm afraid the day will come when people say of television, what Yogi Berra said of his once-favorite restaurant:

"Nobody goes there anymore. It's too crowded."

Daniel L. Ritchie
Retiring Chairman and CEO
Westinghouse Broadcasting Co.

The Man They Love to Hate

Nothing personal, but agent Marty Hurwitz is a television packager, and if there's one thing Hollywood can't stand, it's a packager. Especially when he's as good as Marty.

by James Traub

If Marty Hurwitz weren't such a nice guy he might *really* be hated in Hollywood. As it turns out, only one studio's executives barred the doors to him, and even they eventually relented. Hurwitz's problem is not his personality; it's his job. He's the cocky young ace of the packaging department—known euphemistically as "the programming department"—at ICM, one of the big three West Coast talent agencies, which include William Morris and CAA.

Now more than ever, Hollywood is very, very unhappy about packaging. The practice, says Peter Greenberg, former head of comedy and drama at MGM/UA, may generally be defined as "Let's screw the studios and make them say, 'Thank you.'" And he didn't say "screw," either.

Hurwitz would rather talk about the way he shapes his clients' careers and the deals he swings for them than about packaging. It's not hard to see why. Thirty years ago, agencies received a percentage of a show's license fee in exchange for putting together virtually the entire program—the package. Now, they demand a fixed percentage of a show's license fee *and* a share of the profits in exchange for delivering, in most cases, only one key element of the show. Hurwitz concedes that packaging has an image problem, especially with the increasingly hard-pressed studios that pay the freight.

Sitting in the hushed, thick-carpeted living room of his "townhome" at the edge of Century City, Hurwitz gropes for a genteel definition of an activity that tends to be described as the financial equivalent of rape. "It's a very special art," he says softly. "Being a packaging agent is in certain ways very much like being a producer—putting people together, generating ideas, controlling properties. It's a matter of generating some combination of those elements, or representing someone who someone else very much wants to do business with." The key words here are "very much."

Agents who represent the stars, whether actors and directors (in the case of movies) or writer/producers (in the case of television), have long occupied Hollywood's catbird seat. But two things have happened in recent years to vastly increase the stature of packaging agents in television and to mobilize resentment against them. First, the potential value of any given program, and thus of the profits in which both client and agency share, rose to heights of giddy fantasy when stations began bidding up the price of syndication rights. William Morris, for example, is expected to earn as much as $50 million simply for representing Bill Cosby, whose show has already earned tens of millions in the syndication market. Yet as the prospect of financial success has become intoxicating, the risk to studios of making shows has become almost lethal. As programming costs have shot skyward, studios have begun hunting almost desperately for fat in the budget. "We can't produce for less than a $100,000 to $125,000 deficit anymore," says a former high-ranking studio executive. "Why do we want to add $18,000 to $40,000 in package fees? It's really grating."

Did someone say "grating"? Even one of Hurwitz's star clients, director Thomas Carter, complains—with Hurwitz sitting right next to him at lunch—that the practice harms productions by taking money off the screen.

Contributing editor James Traub's last article for Channels *was a look at ad-agency program analysts.*

BONNIE SCHIFFMAN

AGENT PROVOCATEUR: HURWITZ'S WEAPONS INCLUDE HIS TOUCH-TONE, ROLODEX AND GIFT FOR GAB. OF HIS WORK HE SAYS: 'I DO IT FOR LOVE.'

"A package," Carter says bluntly, "is basically a rip-off."

"I told you you'd enjoy his candor," says Hurwitz with a grimace. But Carter loves his agent anyway; he wants to be an owner, too. And Hurwitz is marching him smartly, swiftly up that ladder. Agents such as Hurwitz take two separate bites at the golden apple of ownership. The economic function of packaging agents, one might say, is to redistribute the ownership of programs from studios and syndicators to clients and agencies.

The great talent agents of yore, men like the legendary Leonard Hanzer, were notorious little Caesars, hanging up on network presidents and shouting down adversaries. Yet they also had an editor's feel for story, and at least a rudimentary acquaintanceship with literature. "In today's Hollywood," says Pat Faulstitch, a former ICM agent now at CBS, "Max Perkins would never get out of the agency mailroom." The latter-day agent is more likely to have the soul of a salesman and the advanced electronic circuitry of a calculator. In an age when the average Hollywood deal has become dizzyingly complex, the agent is the dealmaker par excellence. He "structures" deals, in Hollywood parlance, and he keeps a low profile.

With his gray suits and MBA from the University of Michigan, Marty Hurwitz, 33, is an advanced evolutionary species of agent. He is a member of the business elite taking over Hollywood. He talks numbers; he talks well-polished euphemisms. He can be as aggressive as need be. Bobby Goldman, a Hurwitz client and executive producer of such miniseries as Jackie Collins' *Chances and Lucky*, calls him "my trained cobra." But on the telephone to his often high-strung, overwrought clients, Hurwitz is a careful listener and a delicate balance wheel, clucking sympathetically or applying the needle as required. Often he'll call up just to say, "You sounded down yesterday. You okay?"

Hurwitz comes from a well-educated, upper-middle-class background—his father is senior vice president of General Cinema Corp., the country's largest

WITH ASSISTANT STEVEN SARDELLI DURING A WORKING SNACK. 'I'VE MADE MORE DEALS THAN MOST LAWYERS HAVE,' HURWITZ SAYS.

BONNIE SCHIFFMAN

movie-theater chain—and it's clear he's read a book or two. "Marty reads books by people he doesn't even represent," says an amazed Wendy Kout, a writer currently at Twentieth Century Fox.

Hurwitz has been an agent his entire professional life, starting in 1978 as assistant to William Morris agent Stan Kamen. After three years at ICM, Hurwitz has begun to handle the TV careers of some of the agency's weightiest clients, though television's supernovas, such as Cosby and Aaron Spelling, tend to be represented elsewhere. In point of prestige, ICM trails the other two big agencies, and in part for this reason Hurwitz remains more or less at the BMW level of TV agents. He represents some of the best of the young generation of writers and producers, including Michael Mann, creator of *Miami Vice* and *Crime Story*; Jay Presson Allen, who created the series *Family* as well as *The Clinic* (scheduled to debut this fall on ABC); and many of the writers on *Hill Street Blues* and *Miami Vice*.

Hurwitz's clients like him, they say, because he knows when to be sensitive and when to be aggressive. But mostly, they like him because he gets them good deals. He makes them ready to be owners, then fights for the biggest possible share of ownership.

One afternoon earlier this year, Hurwitz sat down to lunch with Thomas Carter in an L.A. restaurant with open rafters, pouty waiters, a Mexican name and New American cuisine. Carter, who directed the pilots of *St. Elsewhere* and *Miami Vice* and gained reknown for his keen visual sense, was at a crucial rung on the ladder from salaried laborer to owner and needed some guidance. Hurwitz had approached CBS to work out a pilot for him, an arrangement that would vault Carter from hired hand to producer. Hurwitz, in fact, was drawing up the paperwork that would turn Carter into a one-man production company.

The idea had been Hurwitz's; Carter conceded that he would never have known "how to leverage my position as director to expedite another position." Carter was trying to sound like an old pro, but he was anxious. He liked the money and the prospect of control, but he saw his film career, and with it his sense of aesthetic self-esteem, slipping away. Already, on Hurwitz's instructions, he had turned down the chance to direct the second unit of Steven Spielberg's *The Color Purple*. Now it seemed he was binding himself to television for a year. Hurwitz patiently explained that the deal could only advance Carter's career.

"Thomas," he said, picking over a duck salad, "Disney is calling every other day practically since they heard about the CBS deal."

Carter, a young man with an eager, ingenuous air, was impressed. "What does that mean Disney will offer?" he asked.

"You'll probably get a stronger back end for the deal"—a larger slice of the profits of any series Carter developed with Disney for CBS. It was classic Hurwitz logic: Don't go to the studio until you've concluded a development deal with the network. With a network commitment, the studio will consider you a player. Now Carter was listening intently.

"Maybe," Hurwitz continued, "we can

AT THE HEART OF THE DEAL

■ When Marty Hurwitz wants something he doesn't shout; he wheedles. He'll wheedle, in fact, until his opponent drops from exhaustion. Hurwitz, like all talented salesmen, has turned dogged persistence into an art. He let me overhear several dozen phone calls he made to a studio executive to consummate a one-year pilot-development deal for one of his hot young writers. A tiny snatch of hours of dickering sounded like this:

'This is the bottom line.'

BONNIE SCHIFFMAN

"On the series episodic fee, twelve five is fine. But it's got to be 20 on . . . He's getting 20 on [the show he's now doing] . . . Fine. Fine. Pass on it. He's worth 20 on [the show], but he's not worth 20,000 on the show he creates himself, right? I don't understand the logic of that . . . Fine. Pass on it . . . You wanna hear the rest, or you wanna not go further? . . . For a royalty, thirty-five hundred for an hour show. Bob, can I tell you something? This is it. This is the bottom line. It has to be 'in association with' if he creates it. Profits—twelve and half is okay. The advance against syndication—I'll take the thirty-five hundred. Eighty-eight—seventy-five hundred. And 110—twelve five."

Marty says he won on all counts. The writer accepted the studio's offer of $12,500 per episode for any half-hour series he developed, but balked at receiving only $17,500 for an hour-long series. This, as Hurwitz pointed out, was less than he would be getting next year as a writer on his current show. The studio came up. The credit line, which mattered every bit as much as the money, was mutually acceptable. And the author's share of the net profits of any show he created, it was agreed, were to be paid out on a sliding scale starting with $3,500 per episode after 66 episodes, and rising after 88 episodes and again after 110.

It would not, however, be "a truer sharing," since the writer was in the Thomas Carter, rather than the Jay Presson Allen, league. And ICM would get a package only on a show developed in conjunction with the writer's pilot-development deal at a network. But the writer was on his way. This year he would earn about $500,000 from TV and movies. Next year, who can guess? J.T.

turn it into a feature deal, or a feature-development deal, which maybe would be the best." The hidden message: Climb the ladder. Once you're a director/producer in TV, you can be a director in the movies. Hollywood respects status.

Carter was still nervous; he was moving into foreign terrain. Wouldn't he need a lawyer now? he asked. That was a mistake. Hurwitz's sense of professional competence was wounded.

"I've made more deals than most lawyers have," he said.

Carter, who considers Hurwitz his Hollywood wilderness guide, left reassured. A few days later, a CBS executive tried to persuade Hurwitz that any pilot Carter developed should be produced only with a studio the executive had in mind. It was a power play, based on Carter's novice status as producer. "We don't want to limit him to one place," Hurwitz shot back. "Disney's called and other people have called." The network backed off. (The deal is still under consideration.)

Hurwitz says he guides clients to "a truer sharing of risk and reward"—a Hurwitz euphemism for becoming an equal partner with the studios. Truer sharing is reserved for key figures in television, the same people for whom Hurwitz can demand a package fee for ICM. Last winter, Hurwitz struck a deal with Lorimar-Telepictures for Jay Presson Allen that illustrates perfectly the tremendous bargaining power of successful writer/producers.

For her one-hour dramatic series, *The Clinic*, Allen will receive more than $45,000 per episode but will collect no advances against profits from the sale of foreign rights for the first three years of production. After three years, she will begin receiving advances, which will ultimately amount to one-third of profits after the studio deducts expenses. With a less prominent figure, Lorimar might have insisted on deducting from profits such huge nonproduction expenses as distribution fees (paid to itself); but not with Allen. Should *The Clinic* make it past its third year and the syndication market hold up, Allen would probably be assured of at least $10 million.

Hurwitz is a mild-looking man with sleepy eyes and a sheaf of light brown hair that falls aslant his forehead. On the phone, where he's happiest, he maintains a light, bantering style, even with a studio executive who's holding out on him. The studio and network people he deals with on a daily basis generally like him. Stuart Bloomberg, ABC's vice president of comedy and variety series development, calls him "a gentleman," and those who call him "aggressive" usually mean it as praise. But Hurwitz may occasionally carry his trained cobra act too far. MGM/UA Television officials refused to deal with him after he allegedly misrepresented what one of his clients was getting in order to increase the fee for another client, among other things. A source close to the dispute accuses Hurwitz of being "entirely untrustworthy." Hurwitz grows uncharacteristically testy when he hears the charge.

"I made a deal with them that they didn't like" is his version of events. "It was too strong a deal. Anyway, they'll always deal with me."

When Hurwitz went to Lorimar to cut a production deal for comedian Dave Thomas, who already had a pilot-development deal with CBS, he presented Thomas as a "package client." On any pilot that turned into a series, he said, ICM would get a package fee. No dice, said Lorimar's senior vice president, Jerry Gottlieb. Any project that came from the CBS commitment and thus had strong network support would be packageable; otherwise no. Gottlieb would rather not have agreed to *any* package fee at all. But, he says, "If I didn't go along with that, I wouldn't be in a position to even have the series." Gottlieb says he found Hurwitz "bright and aggressive" and that negotiations were amicable. But at such moments, he says, "the role of the agent and the business-affairs department gets a little sticky."

"Sticky," perhaps, is how you feel when submitting to what former ICM agent Faulstitch calls "low-grade extortion." (Not all packages, Faulstitch adds, are objectionable.) But studios submit because they have no choice, and because the presence of a proven star or producer calms fears of failure. With profit margins squeezed tight, neither the networks nor the studios can afford failure as easily as they once did. Thus, the demand for bankable talent. And bankable talent is packageable talent. "The studios," says one official, "can't afford to draw that line, and they can't afford not to."

On the rare show that is not packaged, the agency's fees come out of the hides of the star, director and writers. For a package, however, the studio pays 3 percent to 5 percent of the license fee every week, another 3 to 5 percent once the show begins to make a profit and 10 percent of the net profits themselves. Thus, a highly popular sitcom such as *Webster*, whose 100 episodes gross about $1 million each in the syndication market, could earn $4.5 million to $5 million in net profits for the agency, as well as another $2.5 million to $4 million from the $400,000 license fee.

When a show such as *Cosby* or *Webster* hits the syndication jackpot, the studio need not begrudge the agency its effortless millions. "But one of the real problems of the packaging situation," says Paramount Television president John Pike, "is that the agency is rewarded in failure and rewarded in success." Another studio executive gives the example of the ill-fated *Call to Glory*, a show for which Paramount paid William Morris $35,000 a week for the services of producers Steve Tisch and John Avnet. (William Morris refuses to comment on its package fees.)

The problem is not nearly so grave for sitcoms, which cost only about 40 percent as much as action-adventure shows, run up much lower deficits and, at least at the moment, have far better prospects in the back end. With packaged sitcoms, the studios do not normally feel the agencies are eating their lunch. "The one-hour packages," says Peter Greenberg, formerly of MGM/UA, "are killers."

The biggest one-hour package that Hurwitz has negotiated so far was Michael Mann's *Crime Story*, a show whose efforts to find a home have become legendary. After Universal refused to produce it because the studio feared the deficit would be too large, Hurwitz, along with ICM chairman Jeffrey Berg, swung into action. They tried to raise NBC's license fee from $875,000. They tried to lower the studio's projected cost. Both network and studio were adamant—in the new budget-conscious era, they had a point to make. And so, it turned out, did virtually every other studio in Hollywood. ICM, and above all Hurwitz, shopped the project all over town without success. But did the agency ever consider foregoing the roughly $25,000-a-week package payment? Of course not.

In the end, Mann and New World Pictures structured an ingenious deal that allowed the studio to make back virtually the entire $300,000–$400,000 deficit on advance foreign sales. If the show bombs in the U.S., New World breaks even. ICM will make about $500,000 a year.

ICM earned its package fee keeping *Crime Story* on life support. Hurwitz insists that package fees, in general, are payment for services rendered rather than submission before a higher power. Agencies, he points out, offer to supply the studios with writers, guest stars and so on. Unfortunately, as Hurwitz admits, the days when studios, or sometimes sponsor-producers, needed agencies to put shows together for them are long gone. There's not much that agencies can do anymore to really earn their package fees. Sometimes, in fact, they do almost nothing. ICM currently receives a package fee for Fox's *Down and Out in Beverly Hills* simply for representing director Paul Mazursky, who owned the story rights. Peter Greenberg remembers optioning a magazine article for a series, developing a story in-house and contracting a producer and writer.

"Then before we went to the network we brought the script to one particular actress," Greenberg says. "Her agent said, 'It's got to be a package.' So we went to the network and sold it without the actress." In many cases, Greenberg says, packaging agents "should be arrested for even asking."

That, of course, was an aggressive agent. Hurwitz, too, has been accused of trying to extract a package fee from a project with which he was only marginally connected. But that's salesmanship for you. The studios hate it, but they feel powerless to defend their own interest.

"We're desperate to roll it back," says the head of business affairs at a major studio. "Everyone's desperate." Development deals, he says, have been rejected because of an attached package fee. Series, however, have not, owing to the fear of giving a valuable property to the competition. Paramount TV's Pike says he refuses to pay package fees when only a single element is involved, as is generally the case today. The potential loss of market share, says Pike, is less important than holding the line against agencies' strong-arm tactics. Pike may feel that he can do without Hurwitz and his ilk, but scarcely anyone else does. Hurwitz has what the studios need—and they know it.

Blackmail" may not be the right word, but Hurwitz concedes that packaging, in the end, is a power play. The hungrier you are, the more willing you'll be to submit. That's why Hurwitz specializes in studios like Lorimar and New World, both of which are willing to take risks to get big in a hurry. But it's not only them.

Everyone is mesmerized by the pot of gold at the end of the rainbow, a pot that truly materializes after a show lasts three or four years. Everyone wants to dip a finger in the pot—agencies, artists, studios, distributors. Hurwitz comes up with two big fingerfuls, one for his agency and one for his stars.

It's a wonderful life—the six-figure income, the lovely wife, the half share in a 54-foot sailboat, the irreproachable, if strangely hushed, townhome. No wonder Hurwitz says he has no ambition to leave agenting for a network or studio job. He's in that catbird seat; he's got the world on the phone. "I don't do it for the money," he says. "I do it for love." ●

As this article was going to press, Marty Hurwitz announced he was forsaking his catbird seat for a perch in the executive suite of television and movie producer Zanuck/Brown. Obviously, love isn't always enough.

PACKAGING PEERS

Bill Haber, cofounder of CAA is "far above everyone else," according to one independent producer. Haber represents Aaron Spelling and Witt/Thomas Productions, and many of the same clients are handled by fellow CAA agent Lee Gabler.


HABER

Jerry Katzman, head of William Morris's Television Department, handles Viacom and New World Pictures. Insiders also give much credit for the agency's TV success to cochairman of the board Lou Weiss.

Robert Broder is cofounder of minipowerhouse agency Broder, Kurland, Webb. Broder represents Glen and Les Charles, creators of *Cheers* and *Taxi*, and Glenn Caron, the force behind *Moonlighting*.


WESTON

Richard Weston is one of packaging's rising stars. He took over Leonard Hanzer's agency after Hanzer's death in 1985. With partner Jeffrey Benson, he handles, among others, Henry Winkler and John Rich, executive producers of *MacGyver*, and Bill Blinn and Jerry Thorpe, executive producers of *Our House*.

When Bossy Was Boss

by Jean Bergantini Grillo

Indiana farmers love Daylight time but for TV stations, it's another 'Hoosier confuser.'

Who put the milk cows in charge of television scheduling in Indiana? That's what Mike Corken, newly arrived general manager of NBC affiliate WTHR-TV in Indianapolis, asked himself in 1985 as he prepared to take on the pandemonium caused by central Indiana's long-standing decision to ignore daylight savings time. When the rest of America springs forward in April, Indiana stands still, remaining on Eastern Standard Time all year long. The dairy-rich state has long withstood the "daylight lobby," its legislators doing their best to keep life tranquil for the cows. For if the farmers were to stay indoors an extra hour to catch the morning news, the cows' digestion would be upset, milk production would plummet and state revenues would follow.

It was station revenues, however, in highly competitive Indianapolis that concerned Corken. Formerly a general manager at a New Orleans station and, at 52, eager for a "bigger market and challenges", Corken had been dimly aware of what Indiana calls its "Hoosier confusers"—a variety of upheavals based on the clock. But he'd never assessed their impact on *his* station.

Jean Bergantini Grillo, a free-lance journalist specializing in television, here begins a monthly column focusing on local stations.

To accommodate the network program feeds, which, of course, do change to Daylight Savings, affiliate programming is satellite-delivered one hour earlier—transforming Indianapolis, between April and October, from an Eastern time zone market with, for instance, an 8-11 P.M. prime time, to a Central time zone market with a 7-10 P.M. prime time. Spot buyers, ad sales people and mom, dad and the kids never could settle into a consistent 12-month schedule. "We were a Midwestern state in the summer and an Eastern state in the winter," explained a local media buyer. "National buyers either stayed away or put us on the bottom of the list, rather than deal with time shifting."

Then Corken changed all that. Last September, seven weeks before Daylight Savings ended, he proposed to NBC that WTHR be permitted to piggyback on the network's Rocky Mountain feed, a 7-10 P.M. prime time schedule that translated to 8-11 P.M. in Corken's market. NBC is the only network that still offers a Rocky Mountain feed, so the shift was literally a matter of "pushing a button at NBC satellite headquarters in New Jersey," said Corken. In addition, NBC uses a Ku-Band rather than C-Band satellite. By agreement, affiliates split evenly with the network all interconnection costs. NBC, facing scant expense or inconvenience, and confident in the power of its access programming, agreed to experiment.

While the ABC and CBS affiliates began their prime time shows at 7 P.M., WTHR now countered with its access double whammy, *Jeopardy* and *Wheel of Fortune*. And while the competition aired network late-night programming at 11 P.M., WTHR ran news—just like always. "We are introducing year-round consistency," Corken announced. "People's schedules and personal routines don't change. Now we're saying 'Your television viewing habits don't have to change either.' "

Rival stations were pleased to regard Corken's experiment as something just short of lunacy. "We stand to gain tremendously," said a competing sales manager. "We believe viewers are now much more likely to sample new programming on our network."

Indeed, Corken's decision could have been disastrous. WTHR's access and prime time programs were number one in the market. Could Pat and Vanna really take on *Dallas* and *Moonlighting* and win?

The kicker in Corken's plan was that because only NBC has a Rocky Mountain feed, if NBC's affiliate succeeded with its piggybacking, there was no cheap and simple way for the competition to copy the strategy.

And succeed it did. WTHR not only won again in access and prime time, but

Indianapolis Market Analysis

Net Broadcast Ad Revenue 1985	$87M
Net Broadcast Ad Revenue 1986	$93M
Projected Net Broadcast Ad Revenue 1987	$100M
Cable Penetration	50%
Cable Subscribers	440,660
VCR Penetration	46%
Market Rank	23
TV Households	813,230

the October Arbitron results showed the station gaining commanding leads elsewhere. *Golden Girls* went up 61 percent over its 1985 results. *Hill Street Blues*, though 6 percent down in ratings, was 56 percent up in household share. *Alf* beat the *NFL Game of the Week* between 8 P.M. and 8:40.

Competing stations stopped caviling and started copying. This March, both WRTV, the ABC affiliate and WISH, the CBS affiliate, announced plans to keep their prime time programming on Eastern Standard Time all year. On April 5, when the rest of the country went on Daylight Savings, WRTV and WISH began time-shifting their network prime time programming by tape-delaying their New York feeds. Both stations will spend at least $175,000 each for new taping equipment.

But those who operate in the market think that's a pittance compared to the revenue loss repeatedly suffered as a result of its eccentricity. "It's staggering," says Bill Perkins, president of the Perkins Group, an Indianapolis-based advertising agency. So he considers, forgivably, Indianapolis' new aim at time-zone consistency to be "the biggest story of the year." It has already had an impact on the advertising community locally and nationally, he contends, noting that a petroleum and a shoe company, each national spot buyers, were once slated to pass on Indianapolis and "are now coming back on."

"You have to understand it used to take agencies *hours* to get a fix on Indianapolis, just to retrieve shares and HUTS (homes using television)," adds Karen Goldstein, media buyer for Ogilvy and Mather. Goldstein, who represents Hardee's in Indianapolis, described the weekends she spent getting a fix on the market as "a challenge I like. But others dreaded it; most *do* try to put it at the bottom."

Up until now, a lot of national buyers literally didn't know what time it was in Indianapolis," says Jerry Chapman, vice president and general manager, at ABC's WRTV. Chapman is so intent on change, he's outdoing WTHR. While NBC provides a Rocky Mountain feed only in prime time and affiliate WTHR has chosen not to tape delay from New York other dayparts, Chapman has decided to shift WRTV's entire schedule. CBS affiliate WISH is planning a mix of tape-delayed and Daylight Savings-scheduled programming both in prime time and in early dayparts.

There has always been fierce jousting among the affiliates. The local news race is a dogfight. WRTV, last year voted UPI's best newscast in Indiana and in the Midwest, is in a dead heat with WISH at 6 P.M., and nearly as close at 11 P.M. Sign-on to sign-off, the three stations are kissing close, with WISH slightly ahead of WTHR.

Perhaps that's why WISH president and general manager Peter Orne, in his job for a year and now heading into a "stabilized"—or perhaps more aptly "homogenized" market—remains curiously undisturbed by time-zone questions. "Spot money is determined by market size and share. Clients determine the market and buyers determine the station share," he says. "They're the ones who have the problem." While WISH will join the other affiliates in shifting its weekday prime time to Eastern Standard Time, Orne sees only "marginal benefits".

The sociological questions all this provokes about Indianapolis' culture are less than marginal. "With this move, we have cast our lot with the Eastern part of the country on a permanent basis," notes Bill Perkins, local ad agency president. "We are no longer a border state. Does this mean we still eat supper at 5:30, or do we have to learn to dine at 8:00?" ●

Indianapolis Indies

While Indianapolis affiliates struggled to get their time zones straight, a quieter but no less dramatic battle played itself out among the market's two independents.

In January, WTTV-TV, once among the country's top five independents, rocked the city with the news that it was filing for bankruptcy. As is true for a growing number of stations, neither poor programming nor bad management derailed WTTV. Debt did.

"It is simply a case of having a small amount of cash and a lot of borrowed money," says Elmer Snow, WTTV president. As Snow described the situation in a letter to program distributors: "WTTV went through a buyout two and a half years ago that was highly leveraged. At the time, the industry in general was coming off several years of double-digit growth . . . That growth has not continued."

He emphasizes that the move to Chapter XI was "precautionary," that "business goes on as usual," that the station is "very healthy" and that not one program distributor has abandoned him.

There is no dispute that WTTV is a study in crafty station management based on three elements: 1) a VHF signal that's been part of the state's viewing pattern for over 30 years; 2) an early decision to persuade cable systems to carry WTTV, an effort that began in 1978 when Snow hired a full-time cable-only staffer, and 3) the negotiating skill to lock up local sports contracts. WTTV has exclusive rights to the Cincinnati Reds, the Indiana Pacers, both Purdue and Indiana basketball and Big 10 football and baseball. (Snow likes to tell of his negotiations with rights owner Multimedia over the deal to show the Reds games. He was asked if he wanted to throw in a young talk-show host from Dayton. "I wanted the Reds," Snow says, "and got Phil Donahue in the deal." WTTV has had him ever since.)

WTTV's combined advantages give it, says Snow, "the highest weekly circulation in the market." His is the only local indie with wide cable carriage both inside and outside the metro ADI. But all those plusses only enhanced the station's desirability as a takeover target. Two quick buyouts occurred between 1978 and 1984 and another seems imminent. (The third could come from Emmis Broadcasting, a local group now involved only in radio, with whom Snow says active discussions are underway. But there are, he says, "others" as well.)

During the changes, WTTV's debt service distracted it from its public service and WXIN-TV, a feisty new independent, quickly capitalized on its weakness. "WTTV didn't take us for real," says Joe Young, WXIN general manager. "Why did we get *Cheers*? And *Night Court*? And *Family Ties*?"

Operating only since April 1985, WXIN runs just three share points behind WTTV, sign-on to sign-off. Says Young, "While WTTV is very viable and mature, they're never going to get the same numbers they had in the past."

Young even beat WTHR, the NBC affiliate, on its own turf: scheduling consistency. By June 1985, he had his *Prime Movie* and *The Late Show Starring Joan Rivers* airing at 8 and 11 P.M. all year round. "We're an indie. We don't have to answer to anyone." J.B.G.

Banding Together

by Ellen Berland Gibbs

Malrite and Hutton offer a limited partnership aimed at broadcast acquisitions.

To take advantage of the general public's perception that investments in broadcast properties can be lucrative, Malrite Communications Group has adopted a new financing strategy.

Borrowing a leaf from the book of such cable operators as Heritage Communications, Comcast and Jones Intercable, Malrite, in conjunction with E.F. Hutton & Company, has formed Malrite Guaranteed Broadcast Partners, a limited partnership put together to acquire and manage radio and television stations. The partnership hopes to raise $100 million through the sale of $1,000 units (required minimum purchase of $5,000) to individual investors.

For Malrite, the deal is an attractive one. After paying Hutton an 8 percent sales commission and various other fees and expenses, Malrite nets approximately $88 million, assuming the maximum $100 million is raised. On an ongoing basis, Malrite receives an annual management fee equal to 8 percent of broadcast cash flow (i.e., net revenues minus direct operating costs) plus an acquisition fee amounting to 1.8 percent of the gross equity investment in each station purchased.

Ellen Berland Gibbs is president of Communications Resources, Inc., and principal of CRI Media Partners, L.P.

In addition, until the investors have been repaid their net investment in the partnership, Malrite receives 1 percent of all cash distributions. Once the investors have recouped and Hutton has received its allocations (totaling roughly 15 percent of what Malrite receives), Malrite is entitled to 27 percent of the net income of the partnership, Hutton to 3 percent and the investors to 70 percent.

In other words, while the up-front charges on this partnership may at first reading seem a bit high for Malrite, there are ample compensations thereafter. Most importantly, once the offering is completed, Malrite actually receives substantial payments *from* the partnership, instead of making payments *to* lenders, as they would in the case of a bank loan or a debt offering.

For investors, the returns appear to be reasonably attractive as well. The brochure speaks of guaranteed 100 percent return of capital, subject to availability of funds (hence the name, Malrite Guaranteed Broadcast Partners Limited Partnership), quarterly cash distributions, capital appreciation potential, preferred 7 percent return, liquidity of transferable securities (once the units are publicly traded) and optional warrants for Malrite Class A stock.

In addition to all of the above, investors receive all cash distributions directly, thereby eliminating double taxation at the corporate level, and retain a 70 percent interest in the partnership, after satisfying various payment obligations to Malrite and Hutton. Over time, were the value of the properties bought by Malrite in the partnership to increase three- or fourfold or more, this residual interest held by the investors in the partnership could prove quite valuable.

To date, the partnership has purchased one property, WTRK-FM in Philadelphia for $13.8 million. The station is currently not profitable, but Philadelphia is the fourth-largest market in the U.S., with radio revenues of over $100 million. If Malrite is able to improve the station's market share from its current 2 percent level to 4 or 5 percent, and bring it to profitability, the upside leverage would be considerable.

For individuals not otherwise able to own a broadcast property, the Malrite Communications offering could be of interest, given the rapid rise in station values in recent years and Malrite's success in reviving underperforming properties. For Malrite, the size of the offering and its unusual cash flow characteristics also make it attractive. In sum, there seems to be something for everyone in Malrite Guaranteed Broadcast Partners Limited Partnership, with the major beneficiaries being Malrite shareholders. Their holdings, over time, should increase substantially in worth once the company's asset values begin to expand through other acquisitions and financings. ●

Malrite Acquisition History

MARKET AND PROPERTY	YEAR OF ACQUISITION	ACQUISITION COST[1]
KSAN-FM Oakland/San Francisco, CA.	1982	$6,500,000
WFLX-TV, West Palm Beach, FL.	1982	5,100,000[2]
KMVP-AM/KRXY-FM, Denver, CO.	1983	5,900,000
WHTZ-FM, New York City/Newark, N.J.	1983	7,300,000
WXIX-TV, Cincinnati, Ohio/Newport, KY	1983	45,000,000
WDGY-AM, Minneapolis, MI	1984	3,250,000
WAWS-TV, Jacksonville, FL.	1984	1,175,000[3]
KZLA-FM/KLAC-AM, Los Angeles, CA	1986	42,800,000
KSRR-FM (now KKHT-FM), Houston, TX	1986	32,500,000
WSTE-TV, Ponce/San Juan, P.R.	1986	6,100,000[4]
WOIO-TV, Cleveland, OH	1986	1,500,000[5]
WZGO, Inc, Philadelphia, PA.	1986	13,800,000

[1]Excludes payments fulfilling non-compete clauses. [2]New station start up. [3]Represents purchase price of 49 percent. [4]Malrite owns 80 percent. [5]Malrite owns 51 percent.

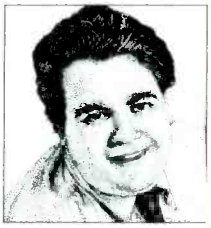
In any business, it's the hardest thing to achieve—and it's even more difficult to win recognition for it. Television is no exception. Every October CHANNELS honors outstanding individuals and companies who have become not simply the best, but truly excellent by meeting a unique business challenge in their field. We tell you how they did it and show you why we believe that excellence always produces commercial success. Every fall professionals from local stations, cable and programming eagerly await the announcement of our awards. Place yourself in the midst of this excellence with a position in the October CHANNELS. *Space closing is September 15, 1987. Call Joel A. Berger, Associate Publisher, for more information (212) 302-2680.*

CHANNELS

THE BUSINESS OF COMMUNICATIONS

PRIVATE EYE

WIMBLEDON: HOLD THE BERRIES

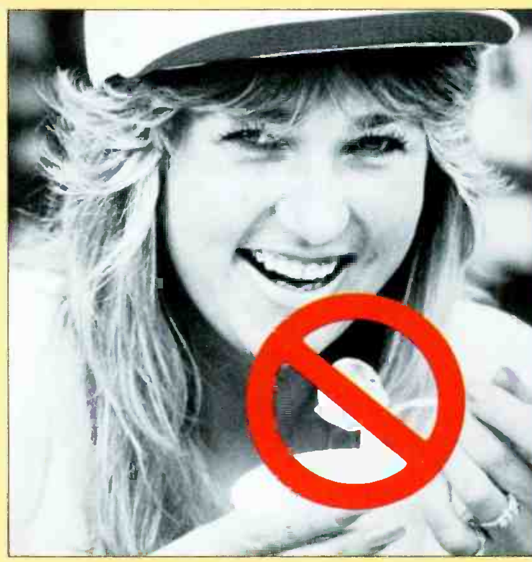


by William A. Henry III

Why do TV sports departments, especially NBC's, persist in taking time away from the action to put on inane features meant as audience builders?

Oh, what is so rare as a day in June, or early July, when the lark is on the wing, the rose is on the bloom, the strawberries are ripening and Wimbledon's on the telly? To say I am a tennis fan is something of an understatement: Last year I took a week of vacation just so I could sit home and watch the early round highlights on Home Box Office. Actually, I am not so much a tennis fan as a TV tennis fan. I don't play (trick shoulder), and although I have had the pleasure of attending Wimbledon, the U.S. Open, the Masters and other mega-events in person, I find it much easier to screen out the crowd, follow the action and get a good clear view (plus helpful instant replays) when watching a match on the box.

Except for one thing. TV sports departments, especially NBC's, persist in taking time away from the action to put on inane features meant as audience builders. Tradition-bound as Wimbledon is, nothing about the tournament is quite so predictable as these purported bright spots: the bits about the Queen and other royalty; the gee-whiz walk through the locker room while the Kipling quote inscribed above the door gets analyzed as though it were the Rosetta stone; the shot of the intrepid correspondent spooning his way through strawberries and cream; above all the inevitable man-on-the-street interviews with British types (redoubtable old lady, uniformed bobby, rainbow-haired punker) saying they neither know nor care that Wimbledon is on, let alone who wins. What is stupid about this kind of coverage, apart from the fact that it says nothing badly, is that it annoys committed viewers like me without demonstrably bringing anyone else in under the tent. If people tune in to Wimbledon, they want to watch tennis. I refuse to believe that anyone sits through hours of ball-thwacking, which to nonfans must be akin to watching paint dry, just in anticipation of these fluffy fillers, the times of which don't appear in any listings log anyway.



The berries at Wimbledon: But do they detract from the tennis?

SPORTING PICTURES (UK) LTD.

Some sports departments seem to understand this. Whether through enlightenment or simply as a result of a constrained budget, ESPN routinely delivers tennis, basketball if you're watching basketball, even yachting if you're watching yachting. Its staff holds to a minimum the happy horsefeathers of interviews with the inarticulate, the mock chronicles pretending that a game is the equivalent of an Arthurian legend or a war, and the electronic wallpaper of nubile spectators displaying bare skin. HBO does almost as well, although its Wimbledon coverage occasionally develops a case of the cutes. CBS may be marginally better than NBC, but it drives me crazy that on a 15-minute nightly highlight show of early rounds from the U.S. Open, typically less than half is devoted to actual play. Much of the rest is squandered on interviews with the best-known contenders saying either that they are glad they won that day or that they hope to win the next.

It's understandable that networks seek to maximize ratings; that is, after all, the main point. But they should make their peace with the fact that even among sports fans, not everybody will like every sport, sometimes for purely personal reasons of taste, sometimes as a reflection of social class. Tennis is most popular among college graduates; they are 63 percent more likely than the average American to watch tennis on television, according to a study reported in the February edition of *American Demographics* magazine. Tennis is only the ninth-most-popular sport with television audiences, ranking just behind bowling and ahead of automobile racing (pro football is at the top of the heap, of course, with baseball a whisker behind). But tennis's 26.3 million viewers have a median household income above $50,000, which ought to make them pretty salable to advertisers. It's hard to envision the slaphappy features doing anything but driving down the audience demographics, which just might prove counterproductive.

Soccer, it turns out in this study by Jeremy Schlosberg, based on statistics collected by the research firms of Paul Kagan Associates and Simmons Market Research Bureau, is the number one sport among the young, who are the only generation to grow up playing it in school in any large numbers. People in the Northeast are the strongest ice hockey fans, while the West, where the running craze was spawned, is disproportionately fond of watching track and field. Roller derby, by contrast, attracts Southerners with a $15,000 income and no high school diploma. College football is, unastonishingly, most popular with college graduates and in the Midwest, where the big state universities play so major a role in civic life. Golf is the most popular sport to watch among those aged 55 to 64. Boxing, I was interested to note, draws a bigger crowd than either college or pro basketball. Not much of this comes as a surprise, to be sure. But a careful examination of the entire study might be a useful exercise for executives who tend to forget that the television audience is really made up of many sub-audiences, only partially susceptible to being made to overlap—Kipling quotes or no. ●

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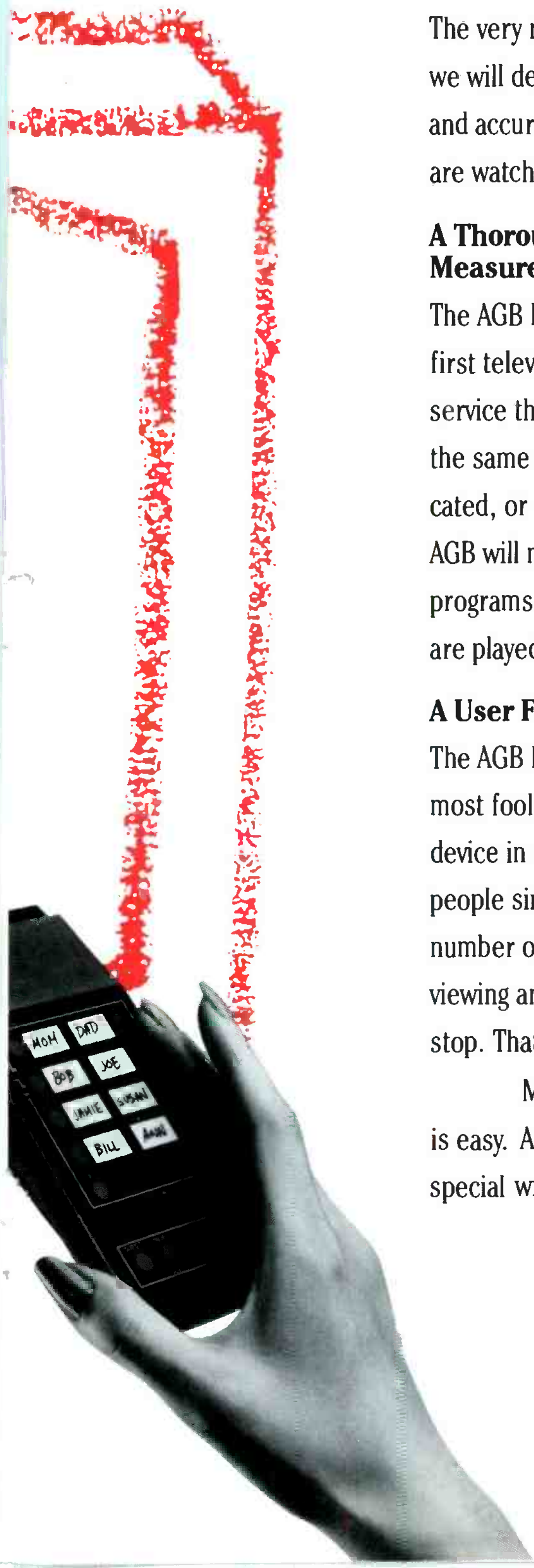

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It's small wonder that AGB's PeopleMeter service, with its new and innovative ways to examine the television audience, stands alone in both ease of use and in the richness of the data it will provide.

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Planting for Coke's Harvest

Frank Biondi, chief of Coca-Cola TV, sows tomorrow's crops in the company's new fields and surveys the media horizon.

Frank Biondi's meteoric rise to the top of Coca-Cola's television empire was as abrupt as his 1984 departure from his job as chairman and CEO of Home Box Office. As the golden boy of HBO, Biondi had helped nurture the pay service from its meager beginnings to king of the pay universe. When Biondi joined the Entertainment Business Sector of the Coca-Cola Company as executive vice president a few months later, he was charged with enlarging Coke's entertainment interests via acquisitions. He has, helping the company acquire Embassy Television and Merv Griffin Enterprises. Now chairman and CEO of Coca-Cola Television, the 42-year-old Biondi sat down with Channels *editors Merrill Brown and Cecilia Capuzzi to discuss his company and the television business.*

COKE'S FUTURE GROWTH

Acquisitions remain a very, very integral part of our growth strategy. There just are fundamental limits to how much you can grow in a production-based business in terms of compounded earnings growth. I think Columbia has always been very adept at risk management. But that is not quite the same as being able to grow. We've been very successful at growing through acquisition. What we're tending to do is focus our efforts now, in a sense by default, on new ventures, or smaller ventures like barter or colorization, which I would view very much as planting a crop, and not according to whether it will be harvested in five or six years.

OWNING DISTRIBUTION OUTLETS

We like the cable business, particularly in the short run. I, along with 283 analysts on Wall Street, think that in the short term the cable business is probably the most interesting financial vehicle in our industry, with the possible exception of cellular outlets. Our problem, quite honestly, is that to be a player in today's marketplace you'd have to spend $3 or $4 billion. The ability of cable to generate earnings really takes an investment of that magnitude simply to make it possible for us to work on an earnings basis. Aside from the fact that it doesn't work financially, we haven't been able to figure out what it does for us strategically. The problem I have always had with vertical integration is that it's basically a double whammy—in the sense that, if you've got good product, you typically don't need locked-in distribution. On the other hand, if you've got bad product, do you want to force it down your own distribution stream? Fox will be a very interesting experiment from that end.

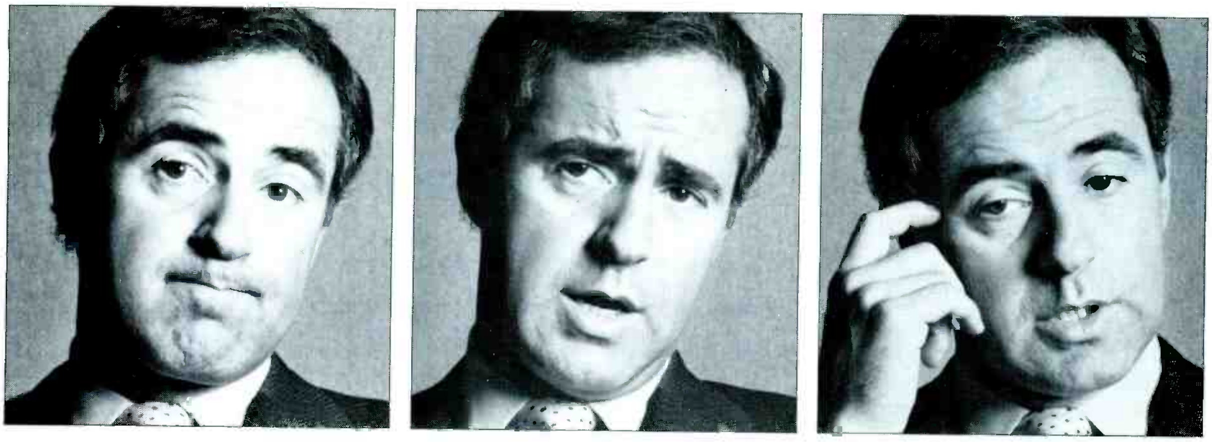
We think the station business is, in the long run, a much better than average business. You have to assume that advertising will continue to grow at a slight premium to the GNP, and if it does, the station business will perform very similar to that. You'll have well-run stations and poorly run stations in the market, but that is presumably a controllable variable. You can't control a macro factor like advertising. Either it's going to be there or not, and if it's not, it's going to be hard to make it a great business. But for better or for worse, we haven't seen the price-value in broadcasting come into a range that we feel comfortable with.

IS PAY TV PASSÉ?

Passé is a strong word. But I would say it has just simply changed. I think the emergence of video has forever changed the consumer's perspective on pay. I would argue that over the next three to five years, you will see video vending machines everywhere. They'll make it even more convenient. In the lobby of this building you'll be able to drop your MasterCard in, hit a button, get *Top Gun*—and it won't be out of stock, there'll be 100 copies of *Top Gun* in the machine—and you can return it at New Canaan or Sayville or you name where. I think it's true that the value of pay has diminished on a relative basis to a cable operator. But for whatever its problems and opportunities, the cable industry simply cannot afford to let either Showtime or HBO survive by itself. It still is the single highest-rated programming vehicle that a cable operator has, and it simply has the most attractive product.

PAY PER VIEW

Request TV [for which Coke subsidiary Columbia Pictures supplies films] has



NORA FELLER

'We like the cable business...but we haven't seen the price-value relationship in broadcasting come into a comfortable range.'

succeeded, I would argue, on a strategic level very nicely. As a business it's still got a lot of kinks to be worked out. But the good news is that there are answers to almost every problem. What we had hoped would happen with Request is that we would get a lot of people's attention and stimulate an acceleration of both hardware and software and marketing and entrance. I think on each of those levels there's been enormous progress. It's literally been only a year and a quarter.

Having said all that, it's still a business. Just the sheer logistics of launching it in 40 million cable homes will take a decade. I think the best pay-TV year I can remember was about three or four million subs being hooked up. Our problem was, in 1985 no one was doing anything about this. So we basically lit a match in a dark room and said, 'Is anybody coming to this party?' Sure enough, a few people did. I think the critical mass is getting bigger and bigger and finally, the last piece of the industry that responded was the equipment side. Because their basic premise is 'Why should I invest a lot of money in R&D if there's so little market here?' They have to see a critical mass, and now they see it. But you're still not talking about a business of any real size until the 1990s. And it's questionable whether it can catch video, in terms of dollars. It's possible, but video has a big lead and a more established infrastructure of distribution and marketing.

INDIE INSOLVENCY

I don't think the Milt Grant case is unique. On the other hand, it's probably the largest one sitting out there. That doesn't mean there aren't people of size who would prefer to have the terms of their program acquisitions changed. Everybody is feeling somewhat of a pinch. When you're leveraged, the leverage works both ways. You're talking about 250–270 independents; probably ten or fifteen are in serious financial trouble. But if you go back to 1973 in the cable business, TCI was trading at $1. That's how many splits ago? They overextended themselves in a different way—construction and what have you. All I'm saying is that it's a cycle that we'll wear our way through. There will be some pain on the suppliers' side and on the stations' side.

SYNDICATOR WRITE-DOWNS

When you bookkeep for a TV show or movie, you put what's called an "ultimate" on it that you feel is the absolute outside revenue stream you can achieve in all markets. And you basically amortize your cost structure against that. You assume you can get $100 million for a TV show and your physical costs fall in the $60 million range. Then you have a 40 percent margin on every dollar of revenue. Now what happens is, if in fact the market causes you to readjust that $100 million down to $60 million, well, then you're saying implicitly, 'I'm going to break even on this show.' That's what's called 'changing the ultimates.' You are, in fact, adjusting the margins that you are recognizing on programming. Because that's a one-time event, you literally don't go back and restate, but you recognize it in the form of a write-off. MCA has a big one-hour inventory and obviously made some adjustments in what they think the ultimate values of the one-hour shows are. I would say that if they had been carrying big numbers—and I don't know what their ultimates are—it probably is conservative and proper to make some adjustments on that. But unfortunately, that has to be run through the income statement.

I know that in our case, we've taken a pretty hard look at our reserves and we'll take a pretty hard look at our actual experiences or expected experiences on the bad-debt side. We're not happy about it, but we feel that we've adequately provided for it. We do not have a major inventory of one-hours that we feel needs adjusting at this time.

MSO PROGRAMMING INITIATIVES

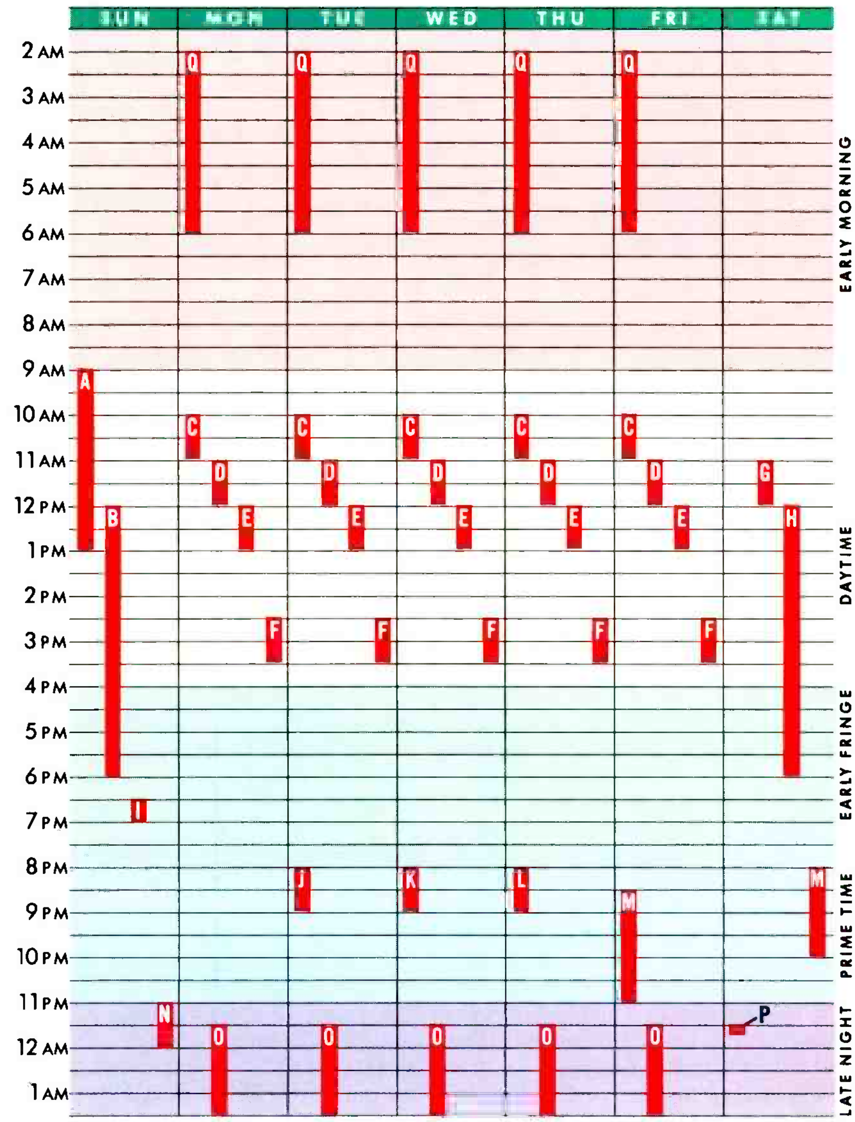
It's a terrific idea conceptually but the mechanics of pulling it together are scary. Programming is hard to do when you are capitalized and are in total control of your destiny as a producer. It is *extremely* hard to do when you're programming by committee, whether it's coproductions or a cable consortium. If they're willing to put together a blind pool and hire somebody who knows how to do it—whether it's Michael Fuchs or Peter Chernin—then they have a chance of making it work. But if that's not the case, you might as well go and buy USA Network or Lifetime and put some real money into it and go.

THE GOING-PUBLIC TREND

If you're interested in being a public vehicle in the entertainment business, just be sure you're comfortable. There are a lot of pressures in the marketplace. Tri-Star [Coke is an owner], a company that's done a sensational job, has been able to show earnings that are a terrific testimony to the job it's done, but they're not $50 or $100 million earnings streams. They're $10-, $12-, $15-million after-tax numbers. All that goes to tell you is that some of the best people in the business are on the motion picture side, and they are some of the most astute financial minds on the case. It's hard to make money in the picture business these days. ●

RUNNING THE NUMBERS

Soft Spots in the Networks' Schedules



SOURCE: NIELSEN HOUSEHOLD TRACKING REPORT.

Most of the time, the three networks are solid as rocks: The majority of prime time programs, soap operas, early morning shows (even CBS' *Morning Program*) achieve 99 percent (or sometimes 98 percent) clearance. That is, they're aired by the network's outlets in markets with 98 or 99 percent of American TV households. If the station in a market the size of Baltimore or Indianapolis preempted, clearance would fall by a full point. But there are a number of soft spots in network clearance, especially in fringe times. This was the scene in February. All hours given are for the Eastern time zone.

A Sunday morning's best-cleared shows are CBS' *Sunday Morning* (with 96 percent clearance) and ABC's *This Week with David Brinkley* (97), which put to shame CBS' *Face the Nation* (81), NBC's *Meet the Press* (90) and ABC's new *Business World* (70).

B Coverage for sporting events on the networks often reaches 99 percent, but some NFL games are as low as 78.

C NBC's *Sale of the Century* (85) and *Blockbusters* (76) suffer because many affiliates insert the Donahue or Winfrey talk show. CBS is none too strong with *New Card Sharks* (84).

D Even though ABC stays dark between 9 and 11, its clearances after 11 have been tumbling since 1983. In February, *Fame, Fortune and Romance* had 76 percent clearance and *Webster* 74 percent. After noon, *Ryan's Hope* gets 84 and *Loving* 92.

E Local noon newscasts cut into NBC's *Super Password* (77) and *Wordplay* (78).

F CBS' *Guiding Light*, 50 years old this year, is showing its age. Last year, the soap got 99 percent clearance and was getting ratings above 7; now with clearance of just 93 percent, its ratings have dropped to 5.

G CBS' *Galaxy High School*, which previously cleared in the high 90s, gets an 85. The 11:30 slot, with *CBS Storybreak*, is likewise down to 83. NBC and ABC are getting 93 to 99 percent clearance.

H Most Saturday afternoon sports get 97 to 99 clearance. When CBS stays with its animated *Hulk Hogan's Rock 'n Wrestling* at noon, however, clearance plummets to 69.

I All three nets get weak clearance for their Sunday evening early newscasts: ABC, 84; CBS, 88; NBC, 92.

J Swamped by ABC's *Who's the Boss?*, CBS' *Wizard* has slipped to 95 percent clearance since its debut last fall and has since been moved to Thursdays.

K CBS' *The New Mike Hammer* (98) runs third in the time period and has been bumped occasionally for shows as weak as *Foley Square* (94).

L Up against NBC's *Cosby Show* and *Family Ties*, with 50-plus shares, ABC's *Our World* gets 97 and CBS' *Wizard* 98.

M ABC's clearance is the slightest bit soft (97 or 98) for four series between 8:30 and 11 Friday opposite CBS' *Dallas* and *Falcon Crest*, and three opposite NBC comedies between 8 and 10 Saturday nights. ABC has since temporarily plugged Friday's 8 P.M. slot with *The Charmings*.

N Coverage falls off for all three nets: *CBS Sunday News* (66) at 11, *ABC Weekend Report* at 11:30 (85) and NBC's *George Michael's Sports Machine* (54), also at 11:30.

O *CBS Late Night* (91), the action-adventures and movies anthology that follows local late newscasts, is a disappointment for the network, which unsuccessfully proposed added incentives for clearance. ABC's *Nightline* holds on to 97 percent clearance, but the network has little luck after midnight. Its Cavett and Breslin talk shows, now defunct, got 72 percent or less, post-midnight. Starting in June, ABC tries again with the weekly *Monday SportsNite*.

P ABC's *Weekend Report* with Brit Hume (79) doesn't quite keep the clearance attained by Sunday's edition with Tom Jarriel (85).

Q *CBS News Nightwatch* takes the air at 2 A.M. with only 48 percent clearance, but builds to about 80 percent between 3 and 4 in the morning, when many affiliates finish their late movies and join the newscast.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