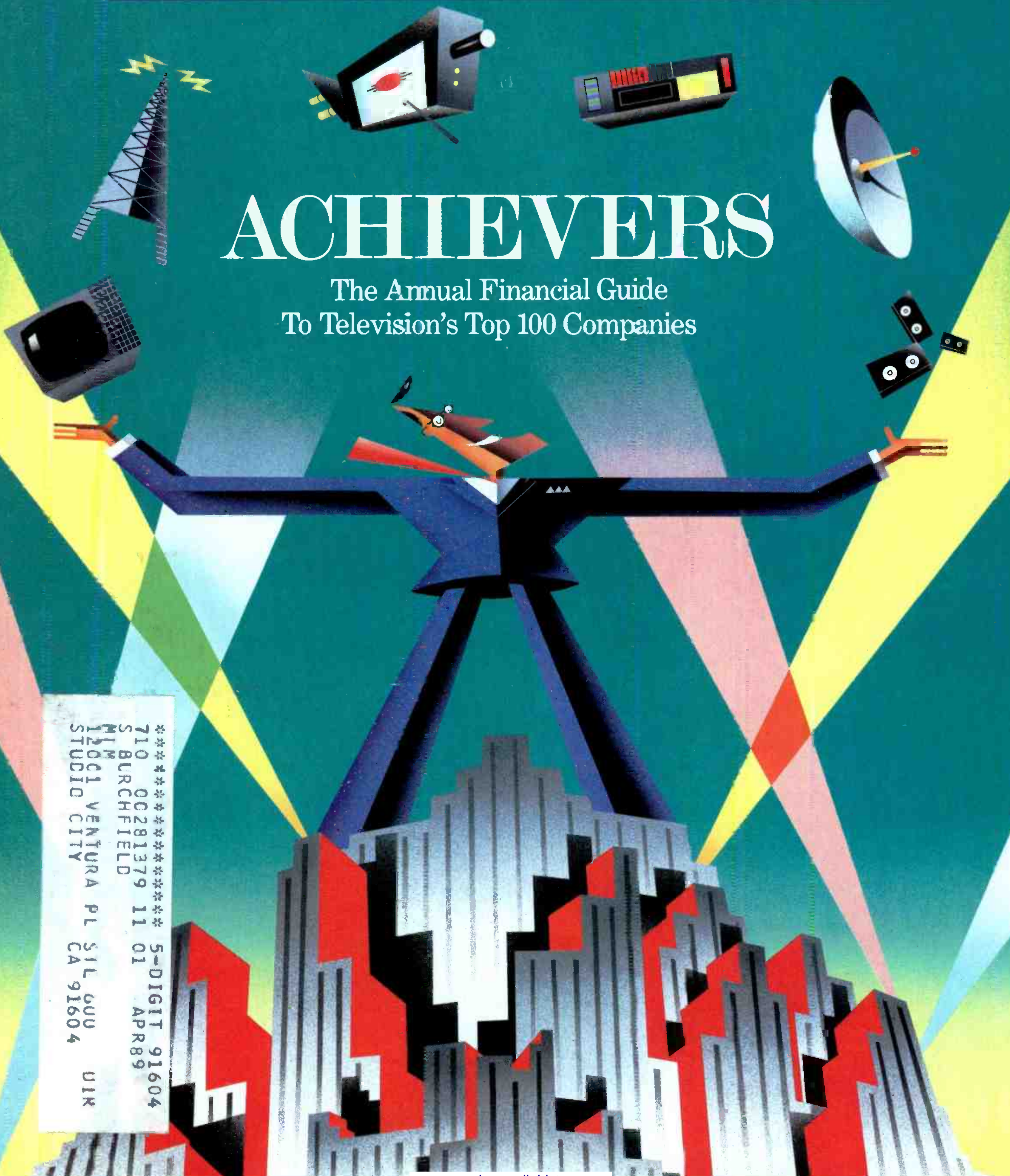
IN FOCUS: Program-Driven Marketing

CHANNELS

JUNE THE BUSINESS OF COMMUNICATIONS 1988

ACHIEVERS

The Annual Financial Guide
To Television's Top 100 Companies



ALL DAY

America's favorite robot

#1 in Daytime

Saturday-Sunday	HH Share
Small Wonder	**13**
Charles In Charge	13
Mama's Family	12
She's The Sheriff	11
9 To 5	10
Dom DeLuise Show	10
Out Of This World	10
What's Happening Now!!	9
New Gidget	9
It's A Living	8
Marblehead Manor	8
Throb	7
We Got It Made	7
Bustin' Loose	6
You Can't Take It With You	5

#1 in Early Fringe

Saturday-Sunday	HH Share
Small Wonder	**13**
Mama's Family	13
Dom DeLuise Show	12
Out Of This World	11
What's Happening Now!!	11
Charles In Charge	9
She's The Sheriff	9
It's A Living	9
New Gidget	9
Bustin' Loose	8
Marblehead Manor	8
9 To 5	7
You Can't Take It With You	7
Throb	7
We Got It Made	6

WONDER

is #1 around the clock!

#1 in Prime Access

Monday-Saturday	HH Share
Small Wonder	**13**
Mama's Family	11
Dom DeLuise Show	11
9 To 5	10
Out Of This World	10
Charles In Charge	10
She's The Sheriff	9
What's Happening Now!!	9
It's A Living	9
New Gidget	9
Bustin' Loose	8
Marblehead Manor	8
Throb	7
You Can't Take It With You	7
We Got It Made	7

#1 in Prime Time

Monday-Sunday	HH Share
Small Wonder	**13**
She's The Sheriff	6
Out Of This World	5
Dom DeLuise Show	5
We Got It Made	4
Throb	3
Mama's Family	3
It's A Living	3
What's Happening Now!!	2
Charles In Charge	2
9 To 5	2
You Can't Take It With You	2
Marblehead Manor	2
Bustin' Loose	1
New Gidget	1

20th Century Fox Television

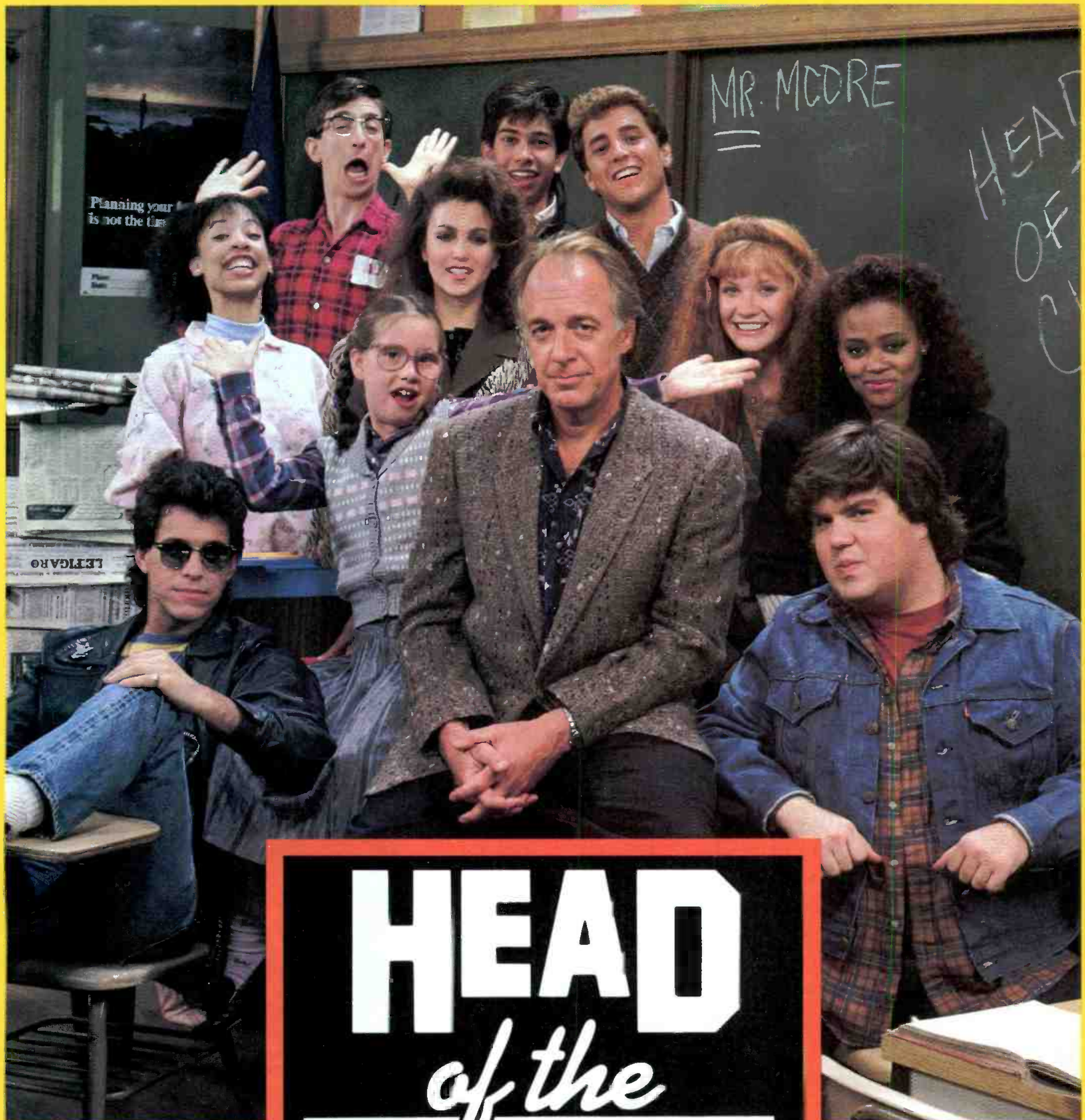
Source: NSI/Cassandra Ranking Report 2/88. First-run syndicated sitcoms, ranked by HH share. Subject to the limitations of the methodologies employed.

THE BUSINESS OF COMMUNICATIONS

VOL. 8, NO. 6 JUNE 1988

David Herbick's credit for the illustrated chart, TCI: View From The Top, was inadvertently omitted from our May issue.

Cover illustration: Terry Allen



HEAD of the CLASS

Make them laugh till it hurts.

In a business where funny is money, GOLDEN GIRLS is the funniest show of its time.

Its universal appeal cuts across racial, sexual and demographic groups, to deliver blockbuster audiences week after week.

The numbers prove it. So do the awards.

Every season it's been on the air a Golden Girl won an Emmy for Best Actress, while the show itself walked away with Best Comedy Series. That's on top of Emmys for Best Writing and Best Directing, along with the Golden Globe for Best Comedy each year.

GOLDEN GIRLS has never lost an award (or an audience) to the competition. That's why it will totally dominate any daypart, any audience, and every other station in town.

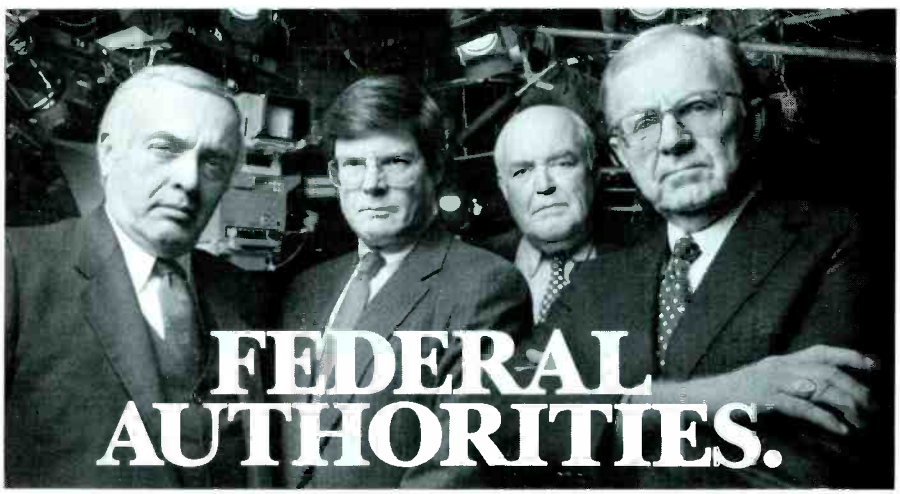
NBC proved this by picking GOLDEN GIRLS to anchor Saturday night, the night they had to win to become America's dominant television choice. Viewers proved it by making the show absolutely, unarguably #1. Now it's your turn to take advantage of the only super-show coming to syndication for at least the next five years.

GOLDEN GIRLS. It's the breakthrough comedy to keep you laughing all the way to the bank, all the way through the 1990's.

The toughest bunch of mothers on TV. Available for Fall, 1990 or 1991.

THE GOLDEN GIRLS


Buena Vista
Television



CHANNELS
THE BUSINESS OF COMMUNICATIONS

Editor
MERRILL BROWN

Executive Editor
PETER AINSLIE

Managing Editor
JOHN FLINN

Senior Editors
STEVE BEHRENS, CECILIA CAPUZZI
KIRSTEN BECK, J. MAX ROBINS

West Coast Editor
NEAL KOCH

Assistant West Coast Editor
RHODA FUKUSHIMA

Assistant Editors
MICHAEL BURGI, KEVIN PEARCE

Contributing Editors
JOHN F. BERRY, ALEX BEN BLOCK, DAVID BOLLIER
L.J. DAVIS, MARK FRANKEL, MERYL GORDON
JEAN BERGANTINI GRILLO, WILLIAM A. HENRY III
DAVID LACHENBRUCH,
PAUL NOGLOWS, MICHAEL POLLAN, JAY ROSEN,
HARVEY D. SHAPIRO, JAMES TRAUB

Interns
RICHARD KATZ, ANN KRAWFSKY

Art Director
SUE NG

Assistant Art Director
AMY JAFFE

Photo Research
LAURIE WINFREY/CAROUSEL, INC.

Publisher
JOEL A. BERGER

Eastern Advertising Managers
ANDY KAPIT, BARRY NITZBERG

Western Advertising Manager
NELDA H. CHAMBERS

Assistant to the Publisher
MARY KAY TIMME

Advertising Sales Assistants
HONEY BUTLER, SYLVIA CONTI

Production Manager
RACHEL COHEN

Controller
CATHERINE PAONE

Assistant Controller
BARBARA VAUGHN

Administrative Assistant
DEBORAH GERMAN

Advertising Sales Offices
New York: 19 West 44th St., New York, NY 10036, 212-302-2680 **West Coast:** 1800 Century Park East, Suite 200 Los Angeles, CA 90067 213-556-1174 **England:** Jack Durkin & Co. 55 Hatton Garden, London EC1N 8HP England Tel: 011-441-831-1131

C.C. Publishing Inc.
President
PAUL DAVID SCHAEFFER

Senior Vice President, Editorial Development
LES BROWN

Senior Vice President,
Corporate Development and Planning
MARTHA LORINI

Vice President, Finance and Administration
BRONNA A. BUTLER

CHANNELS The Business of Communications (ISSN 0895-643X) is published monthly except in August by C.C. Publishing Inc., 19 West 44th Street, New York, NY 10036. Second class postage paid New York, NY and additional mailing offices. Volume 8, Number 6, June 1988. Copyright © 1988 by C.C. Publishing Inc. All rights reserved. Subscriptions: $65 per year; all foreign countries add $18. **Please address all subscription mail to CHANNELS The Business of Communications, Subscription Service Dept., P.O. Box 6438, Duluth, MN 55806, or call 218-723-9202.** **Postmaster:** Send address changes to CHANNELS, The Business of Communications, Subscription Services Dept., P.O. Box 6438, Duluth, MN 55806. **Editorial and business offices:** 19 West 44th Street, New York, NY 10036; 212-302-2680. Unsolicited manuscripts cannot be considered or returned unless accompanied by a stamped, self-addressed envelope. **No part of this magazine may be reproduced in any form without written consent.**

The French Fry TV Zappers With Ad Game

Four-second spots diminish zapping and enhance recall.

Max Headroom would be pr-pr-proud, or maybe just worried. They're not exactly "blip-verts" (subliminal ads that, on one episode of *Max*, caused a viewer to explode), but they *are* the shortest spots on French television, airing in about half the time it takes to read this sentence. What's more, they increase viewers' recall of *other* prime time commercials by as much as 5 percent, reduce channel zapping and have helped increase the circulation of France's largest weekly magazine by 500,000.

Are Tele-Mago game cards a miracle cure?

The four-second spots, which have been airing 60 times weekly on TF 1 since October of last year, are not, strictly speaking, advertisements at all. They consist of single numbers, different ones each time the spots air, which can be correlated to Tele-Mago game cards enclosed in issues of *Tele-Poche*, a French TV magazine. Both viewership and readership are big: TF 1 has some 23 million prime time viewers, 45 percent of the total audience; *Tele-Poche*, which owns 5 percent of TF 1, has a weekly circulation of 2.4 million, up from last year's 1.9 despite a 10 percent price hike to pay for the contest. Total weekly cash prizes for the bingo-like game are some $35,000; each week nearly 3 million game cards are printed, no two alike.

Two months after the bingo blips began, TF 1 commissioned an independent survey to determine their effectiveness. Aside from improved recall, 70 percent of those viewers questioned said the blips had caused them to pay closer attention to other ads, and to flip channels less frequently.

Eurolude, the company that produces the TV game, is a subsidiary of the U.K. firm Europrint, which has done quite well with a newspaper-only bingo-type game called Portfolio, keyed to stock-market index readings. It appears in the *Times of London*, France's *Le Figaro*, Italy's *La Republica* and Spain's *ABC* and is headed for a California daily.

Eurolude has no plans to market the TV bingo-blip idea in other countries just now. Nor could it in the U.S., at least as the game is presently configured. FCC lawyers say it is technically a lottery, and hence illegal on American TV. But if game cards were made available with no purchase necessary, the idea could be feasible.

As of this writing, no French couch *pommes-de-terre* have exploded from bingo blips, but authorities are standing by.

ANTONY SHUGAAR

Phone Lines Light Up for TV's First Interactive Game Show

Colorado entrepreneur readies call-in show for the bigtime.

JoAnn Scoggin of Littleton, Colo., isn't your typical Hollywood mogul. She admits to knowing nothing about what a TV director does and has never been heard to say, "Hey, babe, let's do lunch." Yet Scoggin is the entrepreneur behind the first regular interactive TV game show, a daily half hour that offers cash prizes to viewers via an 800 phone number.

Tele-Quest, a cross between *Jeopardy* and *Trivial Pursuit*, has production values akin to cable's home-shopping networks, but several syndicators and cable networks have expressed interest in remaking it into a slick package and taking it beyond the dozen or so markets in which it now plays, including Denver, San Francisco and Peoria. "They talk about putting $6 million into the production," says Scoggin, 38, a former investment adviser who heads her company, The Game Channel.

To play, viewers pay a $3.50 pre-registration fee to *Tele-Quest* and get a rule book and an account number. When the show comes on, they call an 800 number, pay an additional $4.50 per game by credit card and use their touch-tone phones to punch in multiple-choice answers to the televised questions. Based on accuracy and speed, the top 10 percent of callers win, from $7 to $700. They also accumulate points that may qualify them to appear on the show, where they can win up to $148,000.

Scoggin has been giving *Quest* away to interested stations, in an effort to raise clearances so she can sell the one minute of ad time she retains (stations get six, as well as 5 percent of the entry

THE DENVER POST

Creator Scoggin: Is a $6 million budget next?

fees). And more stations are lining up, because *Tele-Quest* is already a small success: Although it airs at 1:45 A.M. on KCNC, Denver, the show has been pulling 1 and 2 ratings, which translates to 10,000 to 20,000 viewers. "You need very few of those paying $3.50 to make a successful show," says KCNC program director Lon Lee.

JOANNE OSTROW

If we're going to
get 80% penetration...

If we're going to
get our share of television
advertising revenues...

If we're going to
keep pace with subscriber
demands in the 1990's...

IT'S TIME WE BROUGHT OUR EFFORTS TOGETHER...

The Captioning Quagmire: Is There Room for Private Enterprise?

Upstarts claim government grant process stifles competition.

Unfair advantage? At the National Captioning Institute, a captioner puts words to pictures.

The business of captioning programs for deaf people is not a place one would expect to find competitors jockeying for position on a political football field. Yet, in competing for coveted government grants, two nonprofit captioning agencies are doing just that. Locked in a struggle of conflicting technologies for nearly a decade, the two nonprofit agencies, The Caption Center and the National Captioning Institute (NCI), are beset from all sides by a variety of new, for-profit captioning competitors who complain that the process of awarding government grants excludes them and that nonprofit captioners waste government money. The nonprofit agencies, they claim, approach customers who are paying for captioning with their own money and offer to do it for free—with government money, thus inhibiting the growth of captioning and caption-decoders.

But even without government funds, a number of private firms have created new, less expensive technology that, along with other developments, may signal a transformation.

One such development is a report by the Commission on the Education of the Deaf sent to the Senate subcommittee for the handicapped in March. It argues that the current federal funding mechanism stifles competition and that Congress should establish a "corporation of closed captioning to coordinate the distribution of federal funds for captioning projects." Competing for funds, the new players have found, isn't easy. One of them, Cap Concepts Inc., which had the inside track on developing a new, less expensive decoder than the one marketed by NCI, nevertheless lost out to NCI on a hefty Department of Education (DOE) research grant. "The grant process," claims CCI marketing director Bob Daniels, "is set up to favor NCI." "Nonsense," responds NCI president John Ball, who dismisses this and other claims made by private captioners as nothing more than sour grapes arising from their frustration at trying to enter the business. Nevertheless, CCI will introduce its new $100 decoder this month (NCI's new decoder retails for $180).

Before 1980, open captions (not requiring decoders) were produced almost exclusively by The Caption Center, a nonprofit captioning agency under Boston public TV station WGBH's educational foundation. WGBH, for example, would take ABC's evening news feed, open-caption it, then rebroadcast it nationwide over public TV stations. But the commercial networks were uncomfortable dealing with a service that was affiliated with another TV network, so the National Captioning Institute was created as an independent captioner in 1980. In short order, NCI managed to practically corner the market on government funding. With that money it developed a closed-captioning system that required a decoder to view the captions, and landed a contract to close-caption ABC programming. And to prevent competition, NCI did not make its technology available to other captioning agencies. WGBH and others subsequently developed their own, incompatible closed-captioning systems.

Many suggest NCI's edge in the captioning business is due to insider influence at the DOE, but even its detractors agree that it, along with The Caption Center, has been effective at educating broadcasters and the public on the needs of the deaf and at lobbying the government for funds.

Those same detractors have high hopes that things may change. They say NCI's biggest friend at the DOE has recently retired, and point to increased congressional interest in captioning developments, including a bill recently introduced that would mandate wider captioning. Meanwhile, Cable's Silent Network has developed a new system that enables its programs to be open-captioned in half the time and at half the cost of existing systems. And EEG Enterprises, a New York-based firm, is launching a new translator that will handle both The Caption Center and NCI technology. Can the business accommodate the new competition? Says Annette Posell, director of information and marketing for The Caption Center: "I think there's room for survival for all of us. There are an awful lot of things out there that need to be captioned."

CHERYL GERBER

IT'S TIME TO TAKE THE NEXT STEP.

INTRODUCING THE

ON OCTOBER 3, THE CABLE INDUSTRY HAS AN OPPORTUNITY TO COME TOGETHER TO CREATE A BOLD NEW ERA IN TELEVISION.

Turner Network Television is the vehicle that will drive cable television into a new era of competitiveness and profitability.

TNT is the first network designed to harness the full power of the cable industry. It's an opportunity for operators to

NEXT STEP IN CABLE

pool resources to create and capture programming that's original, high-profile, and exclusive to cable subscribers.

TNT will move aggressively to develop and acquire mini-series, major professional sports events, and entertainment shows that will compete head-on for viewership with ABC, NBC, and CBS.

The organization for TNT is already in place. Turner Broadcasting has the management team, the advertising sales staff, the cable sales group, the credibility, the track record, and the determination to make TNT an unqualified success.

Take the next step, get behind TNT today. As cable distribution grows, so does the potential to create cable's own powerful broad appeal network.

It's time we took the next step together.

TNT
TURNER NETWORK TELEVISION

Keeping Soap Fans Happy

by Kevin Pearce

JUNE 23: In Washington, **KIDSNET**, a nonprofit organization created to encourage use and development of quality children's programming, will host a tribute to **Shelly Duvall** honoring her for her achievements in children's TV. Duvall is the head of the new **TCI**-backed programming venture **Think Entertainment**. KIDSNET operates a database to connect schools, libraries, hospitals, stations, cable, etc. with desired radio and television shows.

....

JUNE 26-28: Several years ago, **NATPE** created a teleproduction conference because teleproduction professionals felt ignored. **The International Teleproduction Society** (ITS) and NATPE have gone a step further this year by allowing members to choose the conference program through questionnaires. ITS members were most interested in learning more about digital formats, so the conference will feature three days of seminars on the topic. Another big interest was high-def, so **Sony** will be demonstrating high-definition video systems, and HDTV will be the subject of a special forum. **Emory University** will conduct a business administration and management workshop "targeted for the teleproduction industry professional who has advanced to top management through the creative and technical ranks, but who has no formal training," according to seminar chairman **Lou Giusto**. Manufacturers themselves will present new technology from computer animation and painting systems to CCD cameras.

....

JUNE 29: The National Academy of Television Arts and Sciences' 15th annual Daytime Emmies will be awarded at the Waldorf-Astoria hotel in New York. Soap stars will do most of the presenting. How important are the awards? "Winning doesn't really bring in new viewers, and it's certainly no barometer of ratings or profitability," says ABC's Jozie Emmerich. But, "Emmies are a great source of pride and honor. Awards also please the fans, and they get very angry if their shows don't win." On July 13, NATAS will award the **Emmy Awards for Sports**. For the first time, this ceremony will be nationally televised—it is being syndicated by Raycom Sports, which expects to clear about 75 percent of U.S. TV households.

....

JULY 1: The last day for selected **CBS** employees to accept **Larry Tisch's** latest "voluntary retirement option." Eight hundred people, who are at least 55 and have 10 years of CBS retirement credit, can retire now and have five years credit added to their pensions. When he offered a similar deal two years ago, more than 60 percent of those eligible accepted. Tisch cited the competitive broadcast atmosphere as the reason for slimming down. **NBC** has had early retirement offers standing for many of its executives, including a plan that allows them to cash out old RCA pensions until the end of the year. Now that CBS is minus one record division and a few thousand employees, many observers are wondering, is Larry all cashed up with nowhere to go?

....

JULY 11-21: Coverage of the **Democratic National Convention** begins. **C-SPAN** will run six days of pre-convention events and gavel-to-gavel coverage of the convention itself without commentary. There will be plenty of commentary from PBS and the Big Three as the event dominates TV for four days. Some network executives have advocated abbreviated coverage of the convention, perhaps remembering how NBC's shorter Super Tuesday show topped ratings last February. 20 years ago: **Dan Rather** is belted by a convention guard.

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

CALENDAR

June 11-12: Showbiz Expo, film and video product exhibition and seminars, Los Angeles Convention Center. Contact: Bunnie Strassner, (213) 668-1811.

June 18-21: American Advertising Federation annual convention, Century Plaza, Los Angeles. Contact: Antoinette Allen, (202) 898-0089.

June 22: Federal Communications Bar Association luncheon, Marriott Hotel, Washington. Contact: Jim Smith, (202) 457-8663.

June 16-17: "State Deregulation" seminar, sponsored by Phillips Publishing, Mayflower Hotel, Washington, D.C. Contact: Cindi Lee, (301) 340-2100.

June 20-24: Radio Advertising Bureau sales managers school, Wharton School, Univ. of Penn., Philadelphia. Contact: JoAnn Nimetz, (212) 254-4800.

June 26-28: International teleproduction conference and exhibit, sponsored by NATPE and the International Teleproduction Society, Los Angeles Convention Center. Contact: Nick Orfanopoulos, (213) 282-8801.

June 26-29: Southern Educational Communications Association Spring planning conference, Marriott's Harbor Beach Resort, Ft. Lauderdale, Fla. Contact: Lee Monk, (803) 799-5517.

July 2: Radio-Television News Directors Association region 14, Innisbrook Resort, Tarpon Springs, Fla. Contact: Robert Vaughn, (202) 659-6510.

July 12-14: Television Bureau of Advertising/Sterling Institute National sales manager's program, Hyatt Regency, Chicago. Contact: Dick Severance, (212) 486-1111.

July 14: National Federation of Local Cable Programmers awards, Tampa. Contact: Steve Israelsky, (202) 829-7186.

July 14-15: Broadcast Financial Management/Broadcast Credit Association board of directors meeting, Hyatt Regency O'Hare, Rosemont, Ill. Contact: Mary Ghiselli, (312) 296-0200.

July 14-16: Colorado Broadcasters Association summer convention, Manor Vail, Colo. Contact: Cliff Dodge, (303) 894-0911.

Quick as you can say Arbitron

Quick as you can say Arbitron you can easily "crunch" estimates, dayparts, demos. Define audiences by more than just age and sex. AND get professional presentations in a flash.

Quick as you can say Arbitron, our PC applications handle more information than ever before. In the time it takes you to slip a diskette into your personal computer, you can have at your fingertips all the information you need for decisions that pay off.

Join the 318 television stations already using Arbitron PC applications. Call your Arbitron representative today. Let us show you how our PC applications save you money so you can make more money every day. *Quick as you can say Arbitron.*

ARBITRON RATINGS

© 1988 Arbitron Ratings Company

One Year Ago, They W
Now They're T

This year, the biggest hits in syndication are all on one label.

Paramount.

Beginning with "Star Trek: The Next Generation"— still #1 with men after a record-breaking launch.*

And if that's not enough to sing about, listen to this: "Friday The 13th" is #2 on the charts, second only to "Star Trek" among men.** No wonder it's moving to prime time and prime access in 60% of the country this fall.

REPRESENTED NATIONALLY BY
INTERNATIONAL ADVERTISING SALES

*Source: NSS Pocketpiece, Season to date through Feb. 1988 Sweep Period.
**Source: NSI Cassandra, Feb. 1988 Ranking Report.

ere The Temptations.
he Four Tops.

But our record collection doesn't stop there. "Family Ties" went straight to the top in its first syndicated season — first with women and #1 in all households among all sitcoms in off-network syndication.**

And on the flipside, "Cheers" ranks #2 among all syndicated sitcoms and first with men 18-49 as well as men and women 25-54.** You know, with success stories like these, maybe we should have called our shows "The Supremes."

Paramount
A Gulf+Western Company

The Weak Link in Ratings *by Steve Behrens*

There'd be a lot less fussing over people meters if they had nothing to do with people.

The big problem with people-meter ratings is only indirectly related to the new meters themselves. The meters would be aggravating the networks even if the ABC/CBS/NBC audience share wasn't eroding, and even if kids reliably pushed the people-meter buttons. The problem is that the 6,300 people now representing America's 229 million TV viewers are not the same bunch Nielsen used last fall. They're probably a more representative sample, but that hasn't squelched the networks' complaints.

At every step in building a viewer sample, human nature gets in the way. The ratings service may have chosen an exquisitely random sample of households, but it becomes troublingly less random when only 55 percent let Nielsen install meters in their homes. The risk is that the ones who stay out of surveys might tend to be the kind of folks who, say, always watch *Dolly*.

Nielsen's 55 percent initial cooperation rate for the people meters has been better than the rate for the diaries formerly used to collect network demographics, but less than ideal. Surely some of the noncooperators were turned off by the prospect of pushing an extra button every time they change channels during the next two years.

Still, Nielsen had the foresight to select a sample large enough to end up in February with meters in 2,803 households inhabited by 7,448 people. But once again the vagaries of human life throw in a monkey wrench: Nielsen must edit out data from households whose new TV or VCR hasn't been hooked up to a meter yet, or where other problems develop. That left an "in-tab" sample of 2,416 households with 6,294 people—about 85 percent of the installed sample.

Nielsen senior v.p. John Dimling says he's "ecstatic" about the 85 percent in-tab rate. Last summer it was in the 70s. Besides, the company has a wager going with ABC and CBS that it will meet certain in-tab standards. Each of the two networks reportedly paid extra incentives of $500,000 this season and will get rebates where Nielsen fails to meet guaranteed performance.

Though most of the standards are being met, the three networks still harbor doubts about the sample and the meters, and in March hired Statistical Research Inc. to give the Nielsen people-meter system a thorough check-up.

By many measures, Nielsen's sample today is more proportional to its real-world universe than last year's sample. For instance, men and women over age 50 were more severely overrepresented in 1986-87 (see table), because the sample's young adults had dwindled over the years as they changed residences. But correcting the ratio of oldsters has only added to the problems of CBS, which often does well with older viewers.

CBS told Nielsen last fall that the new sample was "aberrant" and pointed to an excess of families subscribing to pay cable—a factor that would hurt network ratings. The ratings company found that it had been dutifully taking note when sample households started with pay cable, but not every time they canceled, says Dimling. Even after the slipup was fixed, the sample's pay-cable homes were 5 percent too high in February, says ABC.

What looks worse for the networks, the sample seems to be quite low on some heavy-viewing groups—19 percent low in households with $15,000 or less income and 30 percent low in heads-of-households who attended three years or less of high school. But the networks aren't howling over these discrepancies. Researchers suspect that many of the "missing" low-status people are really there—and exaggerating their income and education.

Even though the sample already has flaws, it won't be easy to maintain its quality all year. Nielsen (like its competitor AGB) is scheduled to double its sample by September, meaning that it will have to install meters in 2,000 new households, plus 1,330 more households to cover turnover, according to Larry Hyams, ABC's director of audience analysis. "Last year they were only bringing 1,000 homes on-line and the strain showed," CBS marketing v.p. David Poltrack said months ago, warning that Nielsen has climbed on a dizzying treadmill.

Just in time for the fall season, Nielsen will have a people-meter sample that's 75 percent new—one packed with all the excitement and suspense that comes with a new slice of American viewerhood. ●

SLICES OF LIFE

How closely do rating-service samples reflect the universe of American viewers? This season's Nielsen people-meter sample generally follows the age/sex breakdown of its universe more closely than last season's sample matched with *its* public. Note the differences between universe and sample (shaded).

SELECTED GROUPS	OLD NIELSEN SYSTEM 1986-87 (Sept.-Feb.)			NIELSEN PEOPLE METER 1987-88 (Sept.-Feb.)		
	UNIVERSE	IN-TAB	DIFF.	UNIVERSE	IN-TAB	DIFF.
Women 18-34	15.0	12.5	−17%	14.8	14.9	+1%
35-49	10.3	10.8	+5%	10.6	10.1	−5%
50+	14.7	18.5	+26%	14.7	15.8	+7%
Men 18-34	14.7	11.6	−21%	14.6	13.8	−5%
35-49	9.9	9.7	−2%	10.1	9.5	−6%
50+	11.5	16.2	+41%	11.5	12.3	+7%
Teens	8.9	7.6	−15%	8.7	8.0	−8%
Kids	15.0	13.1	−13%	15.0	15.6	+4%

Source: Nielsen Media Research data compiled by ABC.

The New Beaver™ BEATS THE BIGGIES!

THE NEW BEAVER WINS HEAD-TO-HEAD IN ATLANTA!*

Feb. '88, Mondays, 6:30PM	RTG	SHR	WOMEN (000) 18-34	WOMEN 18-49	WOMEN 25-54	MEN 18-34	MEN 18-49	MEN 25-54	T/K
NEW BEAVER (WTBS)	**7**	**10**	**48**	**73**	**71**	**15**	**33**	**43**	**84**
Gimme a Break (WATL)	6	9	18	25	15	11	12	6	86
Wh.Happ.Now (WGNX)	6	9	28	51	42	7	17	11	64

AND THE NEW BEAVER BEAT EVEN MORE BIGGIES WHEN TWO EPISODES RAN AS A 1-HOUR SPECIAL!**

Monday, April 11, 1988, 6:00-7:00PM, Atlanta

AT 6:00PM...	RTG	SHR	...AND AT 6:30PM!	RTG	SHR
NEW BEAVER (WTBS)	**7.4**	**12**	**NEW BEAVER** (WTBS)	**9.4**	**14**
Family Ties (WATL)	4.2	7	Gimme a Break (WATL)	4.6	7
Diff'rent Strokes (WGNX)	5.5	9	Wh.Happ.Now (WGNX)	6.8	10

YEAR TO YEAR, THE NEW BEAVER IMPROVES DRAMATICALLY—OVER ITSELF!*

	RTG	SHR	WOMEN (000) 18-34	WOMEN 18-49	WOMEN 25-54	MEN 18-34	MEN 18-49	MEN 25-54	T/K
			+140%	+181%	+318%	+25%	+50%	+139%	+140%
FEB. '88 NEW BEAVER	7	10	48	73	71	15	33	43	84
FEB. '87 NEW BEAVER	2	3	20	26	17	12	22	18	35

Now, the Beaver and his family are ready to give your families something to laugh about every day of the week. And at last, you can tell your viewers: "We're bringin' back the Beav!"

The New Leave It To Beaver™

85 New Episodes, Available Fall '88 or '89.

HAL ROACH STUDIOS

Los Angeles 213/281-2600
Midwest 319/277-5406
New York 212/956-2090

Source: *Arbitron 2/88, Atlanta. **NSI Atlanta, as dated.

Making Music That Sells

by Peter Ainslie

In the jingle business, John Hill Music finds that versatility is the key to survival.

It's an obscure little corner of the advertising business, but rare is the network TV commercial that gets produced without benefit of the jingle writer. The challenge is to create an original song that becomes the aural trademark for an ad campaign, but trends in the ad business being what they are, jingle writers these days are just as likely to be adapting one of rock's golden oldies, writing an innocuous underscore (background music), doing sound design (assembling sound effects) or even recording the occasional voice-over track.

Rogers brings in the business . . .

Although as many as a hundred jingle companies have hung out shingles—mostly in New York, but elsewhere from London to L.A.—not all of them play in the same league; there are really only nine or ten that regularly vie for the big jobs. As often as not, they are chosen for their "sound" as much as for the bids they submit.

That fact has lately been working to the benefit of John Hill Music, a tiny, award-winning New York City firm whose principals, Rosemary Rogers and John Hill, have between them more than 25 years experience in the jingle business.

Hill, a 39 year old former record producer who handles the creative side of the business, says songwriting is his first love, but his ability to arrange music in a remarkable variety of styles has kept the company humming while others in the jingle trade have recently been struggling.

Hill has written his share of memorable jingles, including the music for Mountain Dew's "Hello Sunshine" series and the song "Maxwell House Is . . . " for the long-running coffee campaign. But these days, he's riding out an unfortunate confluence of trends that he and Rogers would just as soon see run their course. Foremost among them is the advertising industry's recent contraction, which has made itself felt at the production level. "There are fewer commercials being done," says Rogers, 37, who points out that Diet Pepsi did 45 commercials the year it debuted but only six last year. Furthermore, she says, "There are marginally fewer that use music. And of those that do, it's more than likely the kind that isn't very profitable from our point of view, which is to say that it's underscoring rather than a jingle. If you create a jingle, you're usually involved in several commercials. More and more, every single commercial is a new job that you have to go out and hustle. You're less likely to get that one thing that represents half your business for the year."

There's also a trend away from ensemble voices and toward electronic music, but the other major wave is retro in nature: rearranging existing songs to suit Madison Avenue's needs, or writing new material that evokes specific musical styles or eras. Hill is proficient at them all. For Citizen Watch, he arranged and recorded the 1930s tune, "A Quarter to Nine," and found singers who could emulate Al Jolson and Louis Armstrong. For Subaru, he hired former pop star Lenny Welch to sing "You Always Hurt The One You Love" and re-recorded Percy Sledge's r&b classic, "When A Man Loves a Woman," the latter commercial winning a Lion D'Or at Cannes and a Clio, one of four that John Hill Music has won. (The firm has also won an ANDY, a Mobius and a TRAC award.)

Hill takes Madison Avenue's affinity for oldies in stride. As a songwriter and former Columbia Records producer, Hill cut his teeth on pop music. He stays current by buying the top 20 singles each month and frequenting Manhattan's clubs and concert halls.

Aside from doing it for love, he finds such "research" pays off with his clients. "He listens to what we want," says Susan Israel, music production manager for HBO, Cinemax and Festival, for whom Hill has created program themes and music for on-air promos. "A lot of composers are stuck in a jingle mode. I'm always looking for music that doesn't sound like a jingle, that sounds like real music. John has a wide variety of styles he can do. He knows a lot about good music." Adds Bill Gross, senior producer and v.p. at Saatchi & Saatchi DFS Compton, "Not many of us are willing to admit we know very little about music. I can only tell after I hear it, and then react with a little frown. John makes it easy. He can interpret the problem and help you see what's wrong, and then correct it in a second."

. . . and Hill writes the jingles.

But Hill is nowhere without Rogers, who, in addition to handling such matters as negotiating with Al Jolson's widow for the right to recreate his sound, runs the company's sales efforts. It was she who brought in the Cinemax business, a breakthrough of sorts in that it represents the company's first step off Madison Avenue.

John Hill Music is also moving into record production. Since recording Lenny Welch for Subaru, Hill has been helping him develop material for a comeback album. If it sells, it could bring Hill right back to where it all started. ●

"Monsters" has gobbled up 81% of the country already!

Seventy eight stations, ready to scare up the kind of 18-49 men and women demos you'd expect from the makers of TALES FROM THE DARKSIDE ...beginning in September!

MONSTERS T.M.

Represented nationally on an advertiser supported basis by

TELETRIB

More scary Fun from LAUREL Entertainment Inc.

TRIBUNE ENTERTAINMENT Company

In Search of a Killer Spot *by Cecilia Capuzzi*

Awards may make careers, but in TV promotion, real winners aren't always obvious.

It's late afternoon on the second day of the Broadcast Promotion and Marketing Executives' Gold Medallion awards competition, and the judges are getting testy. Several nervously tap pencils, waiting for the next station promo to be loaded in the VCR. They've already seen hundreds of spots.

"That last one was about as predictable as going to the bathroom," says one judge.

"Nothing breakthrough," agrees another, echoing one of the most common phrases heard during the three-day-long event.

Granted, screening more than 3,100 station promotions (most of which, to be kind, were less than stellar) could skew anyone's attitude toward the state of the art. And while the judges appreciated the rare opportunity to glimpse the collective mind-set of the television promotion industry during the past year, some came away disappointed and complained that broadcasters—in the midst of the most competitive fight for viewers they've ever faced—have lost their willingness to take risks.

"The TV and radio industries are made up of mostly conservative people," says Jeff Keith, a judge at the competition and also director of print operations, advertising and promotion for CBS. "There are some risk-takers, but they have to fall back on certain clichés because of management. Management will see something that works in a certain market, and figure it will also work in their market. They want immediate results, without exploring options." Adds Tom Furr, vice president of program promotion at Showtime/The Movie Channel, and also a judge this year, "As the stakes get higher, the ability to risk gets lower."

As anyone who follows the broadcasting industry knows, the stakes are very high now—and the dearth of "risky" promotional ideas was evident in many of the promotions the judges screened. Baby-boom music and a *cinema verité* visual style—techniques that have trickled down from advertising agencies—were the dominant backgrounds to many of the spots. There were dozens that plugged station personalities into packaged national promotions, such as Group W's *For Kids' Sake.* Dozens of other stations adapted jingle-writer Frank Gari's syndicated, ubiquitous "Hello" campaign to their markets. Others used similar packaged music and set it against static shots of city buildings or the station's news anchors kissing babies, eating ice cream or otherwise acting happy in his or her city of employment ("I did these spots ten or 15 years ago," grumbled one of the BPME judges).

New variations on an old theme: KJTV sells the *Hillbillies.*

These are not the kinds of promotions likely to win BPME's Gold Medallion. They're certainly not innovative; several judges cracked that they couldn't believe a station would pay the $50 entry fee to submit spots that were based on syndicated concepts ("no impact," "overdone," "too much 'warm' "). But beyond whether the spots were original or creative is the bigger, more important question of whether they were effective for the station. Judging a promotional spot's worth, without evidence of the results it provided the station, is a purely subjective exercise.

"Everyone's looking for the killer spot," says John Calver, promotion director at KMBC in Kansas City, and one of the judges. "But what's a killer spot?" Adds Karl Sjodahl, president of marketing firm Sjodahl Inc., also a judge: "We've been out there for years and there's *no* killer spot—there's no magic formula that will work in a given market."

In today's increasingly competitive marketplace, the "killer spot" may have little to do with innovative production techniques, use of trendy styles or music, or a catchy tag line that gets absorbed into pop-culture lingo ("Where's the beef?")—tactics that were regarded as breakthrough in the past. These days, risk has more to do with devising a campaign that integrates production impact *and* marketing, and convincing management to forego short-term ratings results for long-term shifts in audience attitude toward the station. And that, for the most part, is not happening.

Calver and Sjodahl say there are several reasons for this. For years there's been a preoccupation with style in promotional spots and print advertisements—catchy graphics or beautifully executed production techniques that result in spots that tend to attract attention and win awards. "A couple of years ago it was glitz, then it was pink flamingos and palm tress. But 90 percent of promotions developed around that type of stuff don't make it, because of the writing and because of the disregard of mission or purpose in the campaign," says Calver. The push to develop such spots, say Calver and Sjodahl, comes from top-level station management and promotion directors whose careers hinge on quick results and the number of awards the station earns. It's a question of survival, especially in these times of economic turmoil in the broadcasting business. Bottom-line oriented corporate parents tend to view general managers as interchangeable, and will quickly replace an "unproductive" G.M. with one who can provide fast results. "I've had discussions with G.M.s who say, 'What have you got that's neat?' " says Sjodahl. "I stopped sending around a reel with samples of my work because it was being used as a shopping reel, with little attention given to whether a spot that looked good would work for the station."

Station management must also begin to reassess the post of promotion director, say Sjodahl and Calver. Often in the past it has been filled by folks who came out of production, or who have little marketing or even broadcasting experience. "It was a compromise position," says Sjodahl. "G.M.s are saying, 'I need marketing support from the promotion director,' but do they pay for that? No. For the most part, they get journeymen in that spot."

The challenge of the 1990s, says Sjodahl, will be in producing promotional campaigns that integrate production impact with a systematic marketing strategy. And whether a station copies a successful promotion, or latches onto a trend—'50s and '60s music, or the look one gets shooting with a hand-held camera—is irrelevant as long as the station has examined its marketing needs and determined that the concept will accomplish its goal. Several spots that garnered the attention of the Gold Medallion judges seemed to do just that.

In Boston, as in most markets, the local newscasts are a promotion priority. Last year, NBC affiliate WBZ started a campaign called "Where television comes to life" that, as promotion director Eric Goldstein says, looks at the station through the eyes of the viewer, and attempts to distinguish the newscast as one that makes a difference in people's lives. "TV stations are notorious for talking about themselves in a realm that assumes that viewers care," he says. "There's a flaw there—thinking that the viewers care about the station as an entity. What they care about is people, and what those people have done for the community."

The series of promos highlights different members of the WBZ news staff in the context of their jobs at the station. They also illustrate how reporters' work at the station helps them to contribute to the community. Also, in an unusual step, the spots attempt to appeal to varying age groups—including children.

For example, in one promo, reporter Dan Rey is featured for a story he did about a young girl on an otherwise all-boy little league team. "One night, kids all over New England watched the news and ended up being inspired," the promo starts out. "That was the night Dan Rey, the usually hard-hitting reporter, did a softer report." The promo opens with a shot of a TV set on which the actual report filed by Rey is playing. Then it cuts to shots of children, primarily little girls, watching the report intently. The final shot, of a little girl and her father viewing the story together (Dad is tossing a softball up and down as they watch) ends with the tag, "Does it matter which news program you watch? If you were a young athlete in need of a little inspiration last May 8, it did." At that, Dad tosses the ball to his daughter, who, without turning her attention from Rey's report, catches it.

Bringing news to life: WBZ reporter Austin in the community.

The spot, simply and cleanly written and executed—no fancy computer-generated images or symphonic music ("Take Me Out to the Ball Game" plays lightly in the background)—went over well with the judges because, as CBS's Keith says, "it made news relevant." Others in the series achieved the same goal. One spot showed how WBZ tied in with the release of *Platoon* by doing a report on Vietnam vets' reaction to the movie; another showed how a report on screening for cancer saved a man's life. Charles Austin, a WBZ reporter, is featured in a promo that talks about his coverage of the Special Olympics for the last six years and his personal support of, and participation in, the games for the same amount of time.

"These spots will never generate short-term increases in viewing," says Goldstein. "But from a long-term point of view, they give the viewer his due. They acknowledge the needs of the station's viewers. A person will not listen to what you have to say unless you create empathy or sympatico, and you don't achieve that if you only talk about yourself."

On a lighter note, KJTV in Lubbock, Texas, combined a familiar selling technique with 1980's rock music to come up with a new and funny campaign to market the over-played *Beverly Hillbillies* to a young audience. A series of three spots packaged the show's characters in a "one-time offer" record set ("This is it, cornpone comedy fans . . .")—then pulled shots from various episodes and set the scenes to a hit rock tune. Granny, for example, is shown in a wrestling ring while "She's a Maniac" plays in the background; Miss Hathaway puts the moves on Jethro to "Like A Virgin"; Elly May dances to "Girls Just Want to Have Fun." Not only did the show's ratings jump, says promotion director Rich Greene, people called the station to buy the albums.

Neither of these campaigns was particularly ground-breaking in the classic sense—both borrowed elements from promos that had succeeded in the past. But both worked—for the judges, who are looking for innovation and impact, and for viewers—because the station had studied the needs of their audiences and designed spots around them. And that might be what "breakthrough" promotion is all about as broadcasters continue to lose audience to cable and VCRs in the coming years.

"The art and science of promotion is in coming up with better ways to achieve the best relationship between the station and the audience," says Sjodahl. "That's not achieved through the use of claymation or *cinema verité*—it's achieved through doing a better job of marketing." ●


"Let's Talk"
Launch Promotion"
Learning The Ropes is a first-run situation comedy about a high school vice-principal and single parent who moonlights as a professional wrestler. Lyle Alzado, former All-Pro football defensive end, stars as a tough and tender father of two very independent teenagers who learn to live with their dads secret identity.
Robert Halmi Inc.
PRESENTS
Learning the
ROPES
"Along with the intense cross-promotion you get from the national 10.7 rated **Wrestling Network**, you'll see. . .
• A national publicity campaign to build curiosity and awareness!
• A national radio campaign to drive sampling!
• A national TV guide and listing campaign!
• A major national consumer promotion driven by advertiser dollars!
• A national co-op audience promotion on cleared stations to gather the built-in 25 rated wrestling audience!
• Fully customized station promos!
. . . call for clearance and promotion scheduling in your market."
Action Media Group
Nancy Dixon Larry Scott JC Whitted
(212) 724-2776 or (212) 207-8355

Miami Braces for a Jolt

by Steve Behrens

Network swap may jumble the three-way race in a ten-station, two-tongued market.

Miami would be a curiosity among television markets even if the number-one newscast in Dade County wasn't delivered in Spanish. Even if Miami didn't have 10 over-the-air stations chasing after its fast-growing ad dollars. And even if the market's CBS affiliate wasn't temporarily owned by NBC. For the next year it will be a laboratory for TV competition, pitting WPLG and its strong station-group owner, Post-Newsweek, against NBC's newly acquired O&O, WTVJ, and WSVN, the nation's largest station not owned by a station group.

The three affiliates have seesawed for years, each taking its turn at the top of the ratings. Ahead is the time of greatest jeopardy for the most vulnerable of the three, Edmund Ansin's WSVN, which will lose its NBC affiliation sometime this year. At press time Ansin's executives were negotiating a switch to CBS. "WSVN is going to go down the drain when they get CBS, with its slumping programming," predicts TV critic Tom Jicha of the *Miami News*. "I don't know where the bottom is for them."

With a big assist from NBC, Ansin's WSVN has ruled prime time in Miami, even during the February sweeps, when the national top spot went to

Bishop: top anchor on the top news station, WPLG.

ABC, with its Winter Olympics. Last November WSVN took prime time with a 23 share, compared with an 18 earned by WPLG, the ABC affiliate, and a 16 for WTVJ, the CBS affiliate. That lead-in did indeed help the station score second with its 11 P.M. news, but its audience drop-off was a big one—from a 17 rating and 25 share in prime time to an 11/22 for the newscast.

Says *Miami Herald* critic Steve Sonsky: "It's a valid criticism that they've not been able to successfully exploit the lead-ins that the NBC prime time schedule has given them—particularly during the heyday of *Miami Vice*, when viewers had the opportunity to sample the news and it was clear they rejected it."

Local observers wonder about the motivation of WSVN's Ansin, a *Forbes 400* multimillionaire and major Florida landowner, and speculate that he has rarely pressed station management for better program and financial performance. "Ansin is one of the wealthiest men in America," says one industry observer. "The money the station pulls in is almost irrelevant to him. But now, all of a sudden, the management seems to care." One sign is that general manager Robert Leider has brought in a replacement news director, 29-year-old Joel Cheatwood from Cleveland's WEWS.

Miami is known for strong competition among its three respectable affiliate news operations. "Though I've been critical of WSVN," says Sonsky of the *Herald*, "when I go to places like Los Angeles or Chicago or New York, I discover the standard of broadcast journalism is so high in Miami that WSVN is probably competitive with many stations in those markets." Yet there are distinctions among Miami's affiliates, and the critics generally rank WSVN at the bottom.

"When a major story breaks in Miami," says Jicha of the *News*, "you don't turn to WSVN." He remembers screwups like the occasion last fall when the camera turned to anchor Sally Fitz, who appeared to be asleep (a station source says she just missed her cue). Jicha caricatures the news operations when he says, "If a major bank failed and a truck carrying pigs overturned on the freeway on the same day, WPLG would lead with the pigs, WTVJ probably would go with the bank and WSVN would miss the stories altogether."

Presiding over the slick, fast-paced *Eyewitness News* on Post-Newsweek's WPLG is Miami's most popular anchor, Ann Bishop, whose mature appearance probably adds to her credibility. "She's a handsome woman," says Jicha, "but it's very clear she did not get her job because of her looks."

With Bishop and co-anchor Dwight Lauderdale, WPLG runs away with the news audience, pulling shares between 22 and 25 in recent sweeps. It adds to that a dynamite morning talkathon running from *Donahue* through *Geraldo* and *Sally Jessy Raphael*, which swamps the competitors with a 29 share—almost double second-place WSVN's morning rating. At 4 P.M., WPLG wins the hour with *The Oprah Winfrey Show*, leading into a winning news block. And at 11, the station wins at news again. "We're number one in all locally programmed dayparts except the time when someone else has *Wheel*, and *we'll* have it next year," says program manager Sherry Burns.

Come the fall, *Wheel of Fortune* moves from WTVJ to WPLG, where it will pair up with its fellow King World world-beater, *Jeopardy!*, in access.

Moving the nearly invincible show to a Post-Newsweek station also coincides with the station group's alliance with King World's new farm-team program development effort, the Research and Development Network. But WPLG's Burns offers another reason for the game show's move: "We were able to wrest *Wheel* away from TVJ because the syndicator didn't want its show getting lost in the chaos that's bound to erupt in an affiliation change."

Since WSVN holds an NBC affiliation contract that's good through December 31, the swap with WTVJ isn't expected to occur until Edmund Ansin is good and ready, which may put the switch after NBC's Summer Olympics in September—meaning that both the CBS and NBC affiliates will have crippled promotional efforts for the fall season.

WPLG's new v.p. and general manager, John Garwood, who arrived in March from KTUL in Tulsa, remembers what happened when he was general sales manager at Atlanta's WSB during a period of viewer confusion after that station swapped its NBC affiliation for ABC in 1980. "What it created was a great deal of sampling," says Garwood. The net effect was that more viewers checked out offerings of the CBS affiliate, he says. "It enjoyed the most growth because it was the point of stability." Garwood's station may play that role in Miami this year.

But when the dust clears from the affiliation swap, there may be a well-funded new challenger in the market—WTVJ, an O&O backed with NBC's money and its network lineup. The network has already let v.p. and general manager Alan Perris acquire such large-caliber ammunition as *The Cosby Show* (for 5 P.M.) and its fall access duo, *USA Today* and *Win, Lose or Draw.* "NBC's been terrific," says Perris. "They've asked us what we needed and given us the tools." The station also led the statewide ad hoc network scheduled to carry the new Florida lottery results at 7:57 nightly.

Once the market leader when it was owned by Wometco and before the retirement of popular anchorman Ralph Renick, WTVJ coasted for three years after the takeover firm Kohlberg, Kravis, Roberts & Co. swallowed the Wometco group in 1984. "At one point they wanted to spend the money to build the station up," says Perris, "and at another point they just wanted to get out." Lorimar Telepictures backed out of a deal, and KKR sold WTVJ to General Electric (i.e., NBC) last year.

Sabado Gigante: **Univision's three-and-a-half hour game/variety program originates in Miami.**

NBC was buying into a market that this year will have net non-network station revenues of $223 million—a sum expected by Frazier, Gross & Kadlec to grow 10 percent a year over the near term. But it was also a market more competitive than most. Besides two public TV and three network stations, there are three independent stations broadcasting in English and two in Spanish.

Nearly 30 percent of Miami viewers are Hispanic, and though many of them watch Anglo TV, they give the two Spanish stations together a full-day ADI share of 10 and a metro share of 17 (the latter reflecting Dade County's Latin concentration). The 6 P.M. news on WLTV, now owned by Hallmark's Spanish-language Univision network, nearly ties WSVN for third-place marketwide and beats all three Anglo stations in Dade.

The three-year-old O&O of Saul Steinberg's newer Telemundo network, WSCV, draws an audience a third to a half the size of WLTV's. And with the competition, both the Univision and Telemundo networks are increasingly supplementing imported *novelas* with domestically made shows. The most successful so far has been *Sabado Gigante* (*Giant Saturday*), Univision's three-and-a-half-hour, Miami-made, nationally aired combination of *Truth or Consequences* and musical variety, which averaged 9/14 in Arbitron's February sweeps—and appeals to advertisers as well. "It's got the most amazing product placement you've ever seen," says *Miami Herald* reporter Juan Carlos Coto. "The audience sings the Tide jingle with the host."

Joaquin Blaya, a Chilean who has managed WLTV for 14 of its 17 years, initiated *Sabado Gigante* two years ago, basing it on a long-established, seven-hour TV phenomenon in Chile. Last year WSCV briefly carried a similar Puerto Rican show, *Super Sabado.*

The three Anglo indies each command a 6 or 7 share of the full-day audience, but the indies aren't extraordinarily healthy. "We had three independents spending like crazy three years ago," says WTVJ's Alan Perris, "and now we have one in bankruptcy and one that they may have to sell."

The one that may be sold is WCIX, a major asset of TVX Broadcasting, which needs fast relief from crushing debts. Its Fox affiliation has been good for WCIX, says general manager Skipp Moss. "Fox made us a prime time vehicle," he says. "We can garner as much as $2,000 for a spot; before, it was $400 or $500."

The indie that's been in bankruptcy is WBFS, a Grant Broadcasting station whose aggressive buying had helped drive up program prices in Miami. HR Broadcasting is managing the Grant stations under a court-approved plan. WBFS is gambling that airing next fall's games of the Miami Heat, a new pro basketball team, will give it a boost. The third and least watched indie, Odyssey Television's WDZL, will be joined soon by a fourth— WYHS, a new Home Shopping Network outlet.

In a "mature"—extremely mature—market like this, the three network affiliates together command a share that fluctuates month to month from 65 percent to just 48 percent of prime time viewing. "It's incredible that the affiliates are duking it out for a 50 percent share," observes Sherry Burns. Says Alan Perris: "Welcome to television in the '90s." ●

The Public Eye

by Les Brown

CBS's Yellow-brick Road

The other night I reread "The Road To 1990," both versions, the original and the update. If you're not familiar with the title, it isn't the script for a Bob Hope movie nor a book by one of the Presidential aspirants. This "Road" is—or was—the CBS Broadcast Group's view of the future, presented first in June 1984 and then revised for the executive speakers' circuit in October 1986.

These documents are of course more fun to read now than when issued because we know all that's happened since; hindsight nearly always is unkind to foresight. Yet what's so interesting here is the quality of the foresight—not the specific points on which CBS miscalculated but the shallowness of the analysis and its near total lack of vision.

"The Road To 1990" was intended to dispel the notion that a TV revolution was underway and to counter articles in the press suggesting that the networks were dinosaurs. I was prepared to dismiss the first version in 1984 simply as propaganda, the obligatory rebuttal. But when CBS felt compelled to produce an update more than two years later, it was clear that this was serious forecasting by the broadcast group, reflecting the real thinking on high. The bosses were buying into these conclusions. No wonder CBS is in the kind of shape it's in today.

> CBS's way of foretelling the future in 1984 was to project the present forward, with no provision for new developments.

CBS's way of foretelling the future was to take a picture of the present and project it forward, allowing for population growth and trends in household size but with no provision for new developments in the business. It came out that the networks would continue to be the driving force in television and would be yet more prosperous in 1990 despite the competition from cable and other new media. The bottom line was that, substantively, nothing would change.

To summarize briefly "The Road" as seen by CBS in the summer of 1984, cable program services might reduce the networks' share somewhat, but overall they will amount to the bite of a gnat. "They will compete in a highly developed marketplace, targeting to attract the non-viewer or light viewer. With such specialization and small audience bases, it is unlikely that all 30 services will survive," CBS concluded. Meanwhile, population growth will compensate for the broadcast networks' loss of share.

As for the independents and superstations, which depend heavily on off-network shows, local sports and older movies, "the main competitive effect of these schedules has already been felt," CBS decided.

The 1986 updated version acknowledged that there were now 54 basic-cable services, plus five superstations, a raft of pay-cable services and an explosion of independent broadcast stations. There were also 2 million backyard dishes and 33 million homes with VCRs. Yet still no revolution underway, and the outlook for the networks remains hunky-dory. The networks' great strength, Version Two argues, is that they can deal with the failure ratio: four out of five new programs are destined to flop. The big networks "can fund the failures until they find the hits"; the others can't.

So with its self-deluding assurance of a rosy future, CBS went tripping gaily down the yellow-brick road to 1990. It was a road without twists and turns, without bumps, without dangerous intersections.

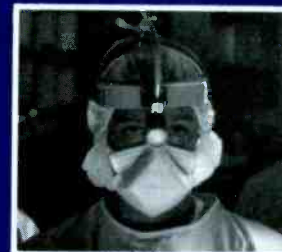
On such a see-no-evil road there is no anticipating the bothersome spread of barter, the end of the cushy sellers' market or the arrival of syndicated shows with monster ratings like *Wheel of Fortune* and *The Mystery of Al Capone's Vaults*. Nor cable networks bidding successfully for sports contracts and making hay with foreign coproductions, nor CNN humbling the more expensive network news, nor videocassette rentals changing the weekend lifestyle of teenagers. What the CBS road map especially overlooked was the immunity of cable and pay cable to the four-of-five failure ratio, because their economic systems differ from those of the networks.

When we add in all else that we know now, the CBS jaunt down the yellow-brick road these last two years turns into a nightmarish fairy tale. Out pops Ted Turner, that uncowardly lion charging crazily for a takeover. Out goes Tom Wyman, the rusted jolly tin giant. Then comes Rupert Murdoch, the foxy scarecrow, making a competitive challenge with the Fox Network, and then the plague of the people meters from A.C. Nielsen.

As CBS slipped into third place this past season, a pastel fog descended on the network, and when it lifts, there, at the end of the road, will be the wizard on whom all hope depends —and who will he turn out to be but that wizard of the bottom line, Larry Tisch.

There was speculation in 1984 of one network not making it into the future. But no one dreamed back then that the network might be CBS. ●


ONE-HOUR HEALTH SPECIALS




by
MEDSTAR

Attract more hospital advertising with
Medstar's powerful TV specials.
Each available with or without local windows.

Please send me a preview package on:

- ☐ *How to Beat Cancer*
- ☐ *Cocaine: the end of the line*
- ☐ *How to Beat Heart Attacks*
- ☐ *Women's Health*
- ☐ *Send me your **FREE** guide: "How to Attract More Hospital Advertising"*

Call **(215) 395-8660** *or send to:*

Name____________________

Title__________ Station__________

Address____________________

City______ State______ Zip______

MEDSTAR
5920 Hamilton Blvd., Allentown, PA 18106

The Business Side

by Merrill Brown

Ted Turner's Many Agendas

There are few more intriguing media issues to speculate about than the future of Ted Turner and his empire. Some doubt that TBS can survive the tensions inherent in having a board of directors as powerful, diverse and as competitive as the one that today rules Turner Broadcasting. And since the cable industry isn't quite sure where it's going these days, it is difficult to imagine that a board made up of such people as John Malone, Michael Fuchs and Bill Daniels share many common industry views, let alone where Turner Broadcasting and Cable News Network ought to head.

Turner, cable's leading spokesman and visionary, seems to have it all figured out. As he sees it, the diverse interests that govern Turner Broadcasting are so different and have so many agendas that none will let the Turner holdings be pulled from current management. He holds that view despite admitting that he's had problems with the Time Inc. group that owns 5 percent of TBS,

Cable's guru says his board is working well. But the industry may be too divided and the board too fragile to stay intact.

and despite the fact that Turner knows that they've openly spoken of it being their "manifest destiny" to operate CNN. "You know," he chuckles, "the last guy who used that phrase was Adolph Hitler. It's a scary thing." But, he adds, since those long-ago days of 1987, Turner and his Time colleagues "have smoked a pipe of peace."

"We have reached a new understanding and we are getting along like Tweedledee and Tweedledum," Turner says. "John Malone didn't want them to acquire CNN and neither did the rest of the cable industry. Look, each one of my partners has a little bit of a different agenda. There are three separate interests. One is Time, one is TCI and one is the rest of the cable industry. They're more interested in each other than in me.

"John [Malone] is the most brilliant dealmaker the world has seen. But he's not a programmer. They don't want to run my company. The operators are concerned that Time is strong with HBO and Cinemax and that's where the big money goes. There's a balance of power. Everybody has an interest in seeing that nobody gets too strong. If they all gang up on me that would be another thing. But why would they? The other thing is public relations. Right now the biggest problem the industry has is that the old smokestack part of the business, the over-the-air broadcasters, are in Washington trying to win what they can't win in the marketplace."

Turner says he's cable's best promoter ("They're not in show business. I am.") and that his company is the only major programmer committed first and foremost to cable. ESPN's owner, Capital Cities/ABC has a huge investment in the struggling ABC network and must devote resources there. For Paramount and MCA, USA Network "is only a very small part of their business," and since Viacom "needs every penny it can get right now," it must continue syndicating cable product.

"From a public-relations standpoint, how can they kick me out? I had a lot to do with cable being where it is today. I'm their MVP, their most valuable programmer. Who's given them the most or the least? Who's the most loyal? Who doesn't have a divided agenda?"

Turner says he was aware of the risks and made a "conscious choice" to restructure his company with cable money. "I have tremendous confidence in my own ability to be of value and service," he says. "And my own strength to be able to defend myself if necessary through the strength of logic and what is fair." Now, after "an initial period of a little jousting around," not unlike lovers grappling with having just moved in together, all is well among his directors. "It's one thing to date, another to live together," he says.

It's not as if Turner, who deserves credit for the most significant media feat of our time—the continuing business and journalistic success of CNN—ought to be defensive. He's as brash as ever, calling his company "the most important company in the entire telecommunications business worldwide." And as cocky as ever: "We're so hot that my only fear is that I'll burst into flames."

But for all Turner's courage and bravado he clearly faces a difficult time. The ambitious Turner Network Television, TNT, may ultimately play well with cable operators and subscribers, but it won't play well with USA Network, ESPN and Arts & Entertainment. The powerful owners of those services have clear incentives to see TNT fail. Meanwhile, for all their wealth, cable operators have rarely been as divided strategically and politically as they are today. Like virtually all joint-venture deals in television, Turner's board is too fraught with divisions and uneasy relationships to succeed over the long term. Issues that jeopardize that fragile partnership jeopardize the industry's already delicate balance. ●

THE CHANNELS Achievers

The third annual guide to the finances of the Top 100 companies in media is a look at a growing, diverse, risky and uncertain field.

From General Electric, the largest company on the *Channels* Achievers Top 100 company list, to American Communications and Television, the smallest, it is easy to get a sense of the diversity of enterprises that have chosen to stake a claim in the American media industry. There are enormous industrial and service conglomerates such as Westinghouse, Gulf + Western and GE, insurance giants such as American Family and Jefferson-Pilot, entrepreneurial sagas such as Turner Broadcasting and Barris Industries, and upstarts such as TVX Broadcasting and New World Entertainment that are struggling to implement their aggressive vision. The list also includes the long-standing giants of the industry, companies such as MCA, Warner Communications, New York Times, Knight-Ridder and Time Inc., which have survived in a dramatically changing media environment and retain vitally important industry niches.

Among the cash-flow growth leaders, companies such as Adelphia, Malrite, Comcast, Jones Intercable, Price Communications and Walt Disney are examples of dynamic, rapidly growing organizations that have either found secure niches or are making major bets on their futures.

But even though the Achievers rankings inevitably emphasize accomplishment, the financial tales described in the data and accompanying stories are not just success stories. Entering the broadcasting, cable and production fields is an increasingly risky undertaking. In 1987-88's uncertain economy—and in an industry loaded with evolving technology, program-distribution upheaval and abruptly changing audience patterns—there are no more sure things. After all, the television station and programming businesses have seen a first wave of bankruptcies, a phenomena that would have been unthinkable only a few years ago.

This year's Achievers review ranks the Top 100 companies by cash-flow growth, a somewhat complex measurement that attempts to evaluate year-to-year performance by operating characteristics rather than either simple profit or revenue growth. Cash-flow data, of course, does not necessarily describe the most successful or fastest-growing companies in the field. The calculations do provide barometers for measuring competitive performance and offer insights into which companies are moving quickly in the right direction. Companies can be moving toward profitability or have rising profits but not necessarily show positive cash flow or cash-flow growth. Therefore, the companies at the bottom of the list, those with negative cash flow, may be investing heavily in the future at the expense of short-term gains and should not necessarily be considered underperforming. That's why the accompanying comparative segment charts, detailing the companies' return as measured by return on equity (ROE), should also be considered when measuring a company's industry status.

On the other hand, the fact that so many companies in the field report generally poor operating performance raises questions about the media industry's overall condition. Debt levels are increasing, as discussed in a story included in the Achievers section, and profitability levels are, in many cases, stagnant. If it were not for the boom in cable television and the thriving nature of many smaller radio station businesses, the story in the numbers might actually be worrisome.

For as a rash of new companies entered the media busines—in broadcasting and production primarily, because they were attracted by the easy availability of funds in the mid-1980s and the rapid ownership turnover encouraged by deregulation—problems have arisen. Ironically, at the same time new players entered the business, the television industry also found competitive pressures rising dramatically. Non-broadcasters who have appeared on the scene and veteran broadcasters reentering the business for the first time, as well as older pros expanding their companies and moving into larger markets, face a television environment complicated by the cable boom—and the accompanying maturity of cable programmers, now siphoning viewers and ad dollars from over-the-air television.

Nevertheless, the fact that so many public companies are thriving in the electronic media does suggest opportunity for savvy investors. The five dealmakers profiled at the close of the Achievers section reveal how they do it, and how alert, informed executives can grow their companies. After all, it is individual decision-makers who build any industry, and wily entrepreneurs have always been at the heart of the growth of the communications industry. The numbers are just a part of the story. ●

LOGOS DESIGNED BY MICHAEL FREEMAN

EVOLUTION. *Change is inevitable, even desirable. In life. In business. To intelligently prepare for this, we have integrated our most talented and dynamic young professionals into our corporate leadership. These future leaders of the cable financial services business are*

knowledgeable. Aggressive. Technically experienced. And they're able to maneuver confidently in today's market. For those of you who are considering your own evolution, Daniels offers you something no other company can: The experience of the past, the vision of the future.

2930 E. Third Avenue, Denver, Colorado 80206, (303) 321-7550
Daniels & Associates is a member of the National Association of Securities Dealers, Inc. and all its professional personnel are licensed with the NASD.

1988
DANIELS
30
ANNIVERSARY

THE CHANNELS ACHIEVERS

Guide

The 1988 *Channels* Achievers guide to the media's top 100 companies is designed to help readers understand the television field; it offers a snapshot of an industry in the midst of restructuring. This year's rankings are based on cash flow growth, a measure of the money flowing through company coffers. Cash flow is a particularly useful tool because, unlike net income, it eliminates accounting factors such as depreciation that can mask actual operating performance. The Achievers guide provides comparisons of the performance of four industry segments—broadcasting, cable, production and the diversified companies. The industry's 20 giant firms are analyzed in a chart detailing where their growth—and problems—have occurred over five years. There's also an analysis of the effect of rising debt levels on operations, and forecasts of what to expect through 1988. The package closes with five profiles of the people who keep TV in motion, dealmakers who help fuel television's dynamic state of change.

The *Channels* Achievers was produced by staff members Peter Ainslie, Kirsten Beck, Steve Behrens, Michael Burgi, Cecilia Capuzzi, Neal Koch, Sue Ng, J. Max Robins, Mary Kay Timme, contributing editor Paul Noglows and researcher Hall Morrison.

MERRILL BROWN

GLOSSARY: Definitions of some of the financial terms and ratios used in the charts in this section:

Cash Flow—Net income added to amortization, depreciation and other non-operating charges.
Compound Annual Growth Rate (CAGR)—Average annual growth.
Debt/Equity Ratio (D/E)—Long term debt, divided by total shareholders equity.
Net Income—Profits after expenses, interest and taxes.
Operating Income—Profits before interest and taxes.
Revenues—Total sales.
Return on Equity (ROE)—Net income divided by total shareholders equity.

Arrivals, Departures

THE NEW ACHIEVERS

Broadcasting
- American Communications & TV
- Burnham Broadcasting
- Durham Corp.
- Faircom Inc.
- Jefferson-Pilot
- Olympic Broadcasting
- Osborn Communications
- Satellite Music Network
- Telemundo Group Inc.

Cable
- Acton Corporation
- CVN Co.'s Inc.
- Essex Communications
- Falcon Cable Systems
- Western TCI

Diversified
- Great American Communications
- Pulitzer Publishing

Production
- Carolco Pictures Inc.
- Columbia Pictures Entertainment
- Laurel Entertainment
- New Line Cinema
- Prism Entertainment
- Republic Pictures

OFF THE LIST
- Adams-Russell
- Cox Enterprises
- DeLaurentiis Entertainment Group
- Heritage Communications
- John Blair
- QVC Network
- Scott Cable

NAME CHANGE
- Coca-Cola Co. (Now Columbia Pictures Entertainment)
- C.O.M.B. (Now CVN Co.'s Inc.)
- Taft Broadcasting (Now Great American Communications)
- Tri-Star Pictures (Now Columbia Pictures Entertainment)

The 1988 *Channels* Achievers financial review has been expanded to 100 companies from the 90 listed last year in order to include even more of the fast-growing smaller companies in the television industry.

Included in the new companies we're covering are several notable, thriving broadcasters, some rapidly expanding cable system operators and a handful of burgeoning production outfits. In the instance of three companies—Great American Communications (the reborn Taft Broadcasting), Columbia Pictures Entertainment (the amalgamation of Coca-Cola's production ventures and Tri-Star Pictures) and Telemundo Group Inc.—each was launched from predecessor companies after either takeovers or financial restructuring pulled apart an existing firm. Off our list: Cox and John Blair, which went private, and Adams-Russell and Scott Cable, which were acquired by other cable companies.

The *Channels* Achievers review, though not necessarily a complete listing of every company in the television industry, does include all the large public firms—those required to issue complete financial reports. One company, Burnham Broadcasting, is not a public company, but releases public information in connection with other financing activities.

THE CHANNELS ACHIEVERS

The Top 100

The television industry's fastest-growing companies.

RANK	COMPANY	1986-87 CASH FLOW GROWTH	1987 CASH FLOW (MIL)	1987 CASH FLOW RANK	1987 REVENUE (MIL)	1987 REVENUE RANK	HEADQUARTERS
1	ADELPHIA COMM.	1150.0%	$ 5.0	62	$ 58.0	72	COUDERSPORT, PA
2	MALRITE COMMUNICATIONS	592.9	1.9	70	97.3	62	CLEVELAND, OH
3	COMCAST	201.6	56.7	30	309.3	41	BALA CYNWYD, PA
4	PLAYBOY	159.6	23.1	46	161.8	52	CHICAGO, IL
5	HOME SHOPPING NET.	158.1	49.3	35	582.1	31	ST. PETERSBURG, FL
6	FINANCIAL NEWS NET.	138.5	3.1	67	36.8	78	SANTA MONICA, CA
7	JONES INTERCABLE	111.4	16.7	50	33.7	80	ENGLEWOOD, CO
8	PRICE COMM.	104.7	8.8	59	95.6	64	NEW YORK, NY
9	WESTERN TCI	95.1	39.1	38	101.7	61	DENVER, CO
10	BARRIS	93.9	15.9	51	63.4	69	BEVERLY HILLS, CA
11	WALT DISNEY	86.9	924.8	3	2876.8	10	BURBANK, CA
12	MULTIMEDIA	67.8	48.4	36	410.8	35	GREENVILLE, SC
13	KING WORLD PRODS.	64.0	35.1	40	241.3	45	NEW YORK, NY
14	CENTURY COMM.	58.0	30.5	43	109.9	58	NEW CANAAN, CT
15	GULF + WESTERN	57.7	423.8	10	4681.1	3	NEW YORK, NY
16	WASHINGTON POST	57.6	260.9	13	1315.4	21	WASHINGTON, DC
17	ROGERS COMM.[1]	57.3	84.3	24	464.3	33	TORONTO, ONT.
18	SCRIPPS-HOWARD BROADCASTING	55.8	54.7	32	234.1	48	CINCINNATI, OH
18	MEDIA GENERAL	55.8	86.0	23	715.3	26	RICHMOND, VA
20	TCI	50.6	297.2	12	1709.4	17	ENGLEWOOD, CO
21	INFINITY BROADCASTING	47.9	9.4	57	74.1	67	NEW YORK, NY
22	WESTWOOD ONE	46.5	21.1	48	87.2	65	CULVER CITY, CA
23	WARNER COMM.	45.0	440.8	7	3403.6	7	NEW YORK, NY
24	NEWS CORP.[2]	43.9	346.4	11	3503.4	6	SYDNEY, AUS.
25	CLEAR CHANNEL COMM.	40.0	4.2	65	32.5	83	SAN ANTONIO, TX
26	LIN BROADCASTING	36.1	71.2	27	236.8	47	NEW YORK, NY
27	LEE ENTERPRISES	32.9	56.2	31	237.6	46	DAVENPORT, IA
28	CAPITAL CITIES/ABC	28.5	437.4	8	4440.3	4	NEW YORK, NY
29	TCA CABLE	25.8	19.0	49	60.4	71	TYLER, TX
30	CBS	21.0	515.9	4	2762.0	11	NEW YORK, NY
31	MACLEAN HUNTER[1]	18.7	148.5	20	1125.0	23	TORONTO, ONT.
32	ATC	17.6	173.3	19	714.4	27	ENGLEWOOD, CO
33	UNITED ARTISTS COMM.	17.3	65.2	28	657.4	28	ENGLEWOOD, CO
34	NEW YORK TIMES	16.6	241.9	16	1689.6	18	NEW YORK, NY
35	GANNETT	14.5	480.5	5	3079.4	9	ARLINGTON, VA
36	KNIGHT-RIDDER	14.4	254.8	14	2072.6	14	MIAMI, FL
37	JACOR COMM.	12.9	2.0	69	44.0	75	CINCINNATI, OH
38	PARK COMM.	12.7	29.2	44	138.8	54	ITHACA, NY
39	JEFFERSON-PILOT	12.5	184.1	18	1173.9	22	GREENSBORO, NC
40	McGRAW-HILL	12.1	230.3	17	1751.2	16	NEW YORK, NY
41	CENTEL CABLE	8.2	34.5	41	130.1	56	OAK BROOK, IL
42	LIBERTY CORP.	7.3	50.2	34	378.0	38	GREENVILLE, SC
43	TEMPO ENTERPRISES	3.6	4.9	63	24.8	87	TULSA, OK
44	ESSEX COMM.	2.8	3.7	66	16.4	90	GREENWICH, CT
45	AMERICAN FAMILY	2.5	104.4	21	1876.1	15	COLUMBUS, GA

RANK	COMPANY	1986-87 CASH FLOW GROWTH	1987 CASH FLOW (MIL)	1987 CASH FLOW RANK	1987 REVENUE (MIL)	1987 REVENUE RANK	HEADQUARTERS
46	WESTINGHOUSE	1.4%	$1056.9	2	$10679.0	2	PITTSBURGH, PA
47	A.H. BELO	0.3	61.9	29	381.8	37	DALLAS, TX
48	PRISM ENT.[3]	0.0	1.8	71	25.1	86	LOS ANGELES, CA
49	PULITZER PUBLISHING	−0.9	33.0	42	367.3	39	ST. LOUIS, MO
50	DURHAM CORP.	−3.3	52.1	33	299.6	42	RALEIGH, NC
51	UNITED CABLE	−4.0	46.2	37	222.7	49	DENVER, CO
52	SELKIRK COMM.[1]	−4.5	23.4	45	179.8	51	TORONTO, ONT.
53	UNITED TELEVISION	−5.3	14.3	52	96.5	63	BEVERLY HILLS, CA
54	DICK CLARK PRODS.	−6.1	2.7	68	28.9	84	BURBANK, CA
55	GENERAL ELECTRIC	−7.3	3663.0	1	40515.0	1	FAIRFIELD, CT
56	GRAY COMM.	−9.3	4.9	64	49.7	74	ALBANY, GA
57	MEREDITH	−11.1	79.9	25	598.7	30	DES MOINES, IA
58	CHRIS-CRAFT	−12.3	22.1	47	241.3	44	NEW YORK, NY
59	TIME	−15.1	455.0	6	4193.0	5	NEW YORK, NY
60	TIMES MIRROR	−22.9	431.9	9	3154.6	8	LOS ANGELES, CA
61	CABLEVISION SYSTEMS	−32.4	10.1	55	299.5	43	WOODBURY, NY
62	TRIBUNE CO.	−36.1	249.0	15	2160.0	13	CHICAGO, IL
63	GENCORP	−36.7	76.0	26	1619.0	19	AKRON, OH
64	BURNHAM BROADCASTING	−40.0	0.8	72	34.1	79	CHICAGO, IL
65	MCA	−50.9	102.8	22	2589.6	12	UNIVERSAL CITY, CA
66	STAUFFER COMM.	−58.9	10.8	54	124.8	57	TOPEKA, KS
67	AMERICAN CABLESYSTEMS	−65.8	8.9	58	54.6	73	BEVERLY, MA
68	AARON SPELLING PRODS.	−67.9	9.6	56	140.1	53	WEST HOLLYWOOD, CA
69	SATELLITE MUSIC NET.	−127.3	−0.3	74	10.3	95	DALLAS, TX
70	GREAT AMERICAN COMM.	−133.3	−18.2	90	499.8	32	CINCINNATI, OH
71	REEVES COMM.	−139.6	−5.7	85	70.6	68	NEW YORK, NY
72	OSBORN COMM.	−162.5	−0.5	75	17.8	89	NEW YORK, NY
73	EMMIS BROADCASTING	−204.3	−2.4	81	33.6	81	INDIANAPOLIS, IN
74	MGM/UA COMM.	−310.5	−252.1	99	427.6	34	BEVERLY HILLS, CA
75	VIACOM	−318.1	−129.1	97	1010.7	24	NEW YORK, NY
76	LAUREL ENT.	−766.7	−2.0	80	7.1	97	NEW YORK, NY
77	COLUMBIA PICTURES ENT.[4]	NA	NA	NA	1325.9	20	NEW YORK, NY
78	TELEMUNDO GROUP[5]	NA	−32.8	92	84.1	66	NEW YORK, NY
79	ACTON CORP.	+	12.4	53	11.4	93	WOBURN, MA
80	CAROLCO	+	36.4	39	103.7	60	LOS ANGELES, CA
81	CVN COMPANIES[6]	+	8.2	60	108.9	59	MINNEAPOLIS, MN
82	FALCON CABLE SYSTEMS	+	7.2	61	20.3	88	LOS ANGELES, CA
83	HERITAGE ENT.	+	0.4	73	12.7	92	LOS ANGELES, CA
84	AMERICAN COMM. AND TV	—	−1.5	78	2.6	100	GAINESVILLE, FL
85	FAIRCOM	—	−1.0	77	5.4	98	OLD BROOKVILLE, NY
86	FRIES ENT.	—	−8.8	88	37.3	77	LOS ANGELES, CA
87	HAL ROACH STUDIOS	—	−1.7	79	13.7	91	BEVERLY HILLS, CA
88	LORIMAR TELEPICTURES[7]	—	−179.6	98	766.2	25	CULVER CITY, CA
89	NEW LINE CINEMA	—	−8.6	87	42.7	76	NEW YORK, NY
90	NEW WORLD ENT.	—	−122.9	96	384.3	36	LOS ANGELES, CA
91	OLYMPIC BROADCASTING	—	−0.6	76	11.0	94	SEATTLE, WA
92	ORION PICTURES	—	−54.2	93	327.6	40	NEW YORK, NY
93	OUTLET COMM.[8]	—	−5.8	86	63.1	70	PROVIDENCE, RI
94	PEREGRINE ENT.	—	−4.5	83	9.2	101	LOS ANGELES, CA
95	REPUBLIC PICTURES	—	−4.9	84	28.1	85	LOS ANGELES, CA
96	ROBERT HALMI	—	−19.3	91	33.0	82	NEW YORK, NY
97	SUN GROUP	—	−2.0	80	7.4	96	NASHVILLE, TN
98	TURNER BROADCASTING SYSTEM	—	−68.0	94	652.4	29	ATLANTA, GA
99	TVX BROADCASTING	—	−10.1	89	133.4	55	VIRGINIA BEACH, VA
100	VESTRON	—	−70.9	95	217.5	50	STAMFORD, CT

NA = Not Available + Reflects positive cash flow in 1987, but negative cash flow in 1986.
—Reflects negative cash flow for both years
[1] Maclean Hunter's, Selkirk's and Rogers' figures in Canadian Dollars.
[2] News Corp.'s figures are converted from Australian Dollars, using the following exchange rates: 1987, .6588; 1986, .6980. ($US per $Aus. 1.00).
[3] Prism's 1987 figures reflect fiscal year ended 1/31/87.
[4] Columbia's 1987 figures: Coke's Entertainment Business Sector full year; Tri-Star six months ended 8/31/87.
[5] 1987 was Telemundo's first full year. Cash flow growth cannot be calculated.
[6] CVN Co.'s 1987 figures reflect only 8 months ended 8/31/87.
[7] Lorimar's 1986 cash flow reflects only 8 months ended 3/31/86.
[8] Outlet's 1986 cash flow reflects only 5 months ended 12/31/86.

DISSECTING THE LEADERS

Cable, production firms dominate the Top 100.

For the cable industry and its financiers, 1987 was a golden year. Federal deregulation of the industry began, the cable wire moved into over half of the nation's homes and a score of cable suppliers, networks and system operators enjoyed record-breaking years. Among the beneficiaries of the good news surrounding the industry was Adelphia Communications, a small, little known system operator that ranks as the fastest-growing company in the *Channels* Achievers Top 100 companies list.

Adelphia founder (now chairman) John J. Rigas built the company's first system 36 years ago in the community that still serves as Adelphia's headquarters, Coudersport, Pa. At the end of fiscal 1987, the company owned or managed systems serving just over 501,000 subscribers, reported revenues of about $58 million—nearly double 1986 revenues—and, though showing a net loss of about $24 million, reported a $1.1 million operating profit. Its losses came as a result of rapid expansion and the borrowing necessary to sustain growth for the long term. Its dramatic revenue growth, combined with a significant 1987 depreciation write-off, produced cash flow that grew more than tenfold over 1986.

Facing a deregulated environment with the strength of newly acquired properties in potentially healthy markets, the company's prospects—assuming it can adequately continue to pay down its debt—are strong. Revenues for the first nine months of the 1988 fiscal year more than doubled to nearly $76 million, compared with the same 1987 period. Subscriber growth has accelerated, with the early 1988 total count up to an estimated 682,000 (assuming several transactions are finalized). And Adelphia's stock price rebounded strongly from last October's market crash, picking up about 64 percent through April.

It is little wonder that the cable industry, though facing significant political difficulties, is considered one of the nation's strongest businesses: A dozen of the top 20 companies in the Achievers Top 100 are in the cable business, either wholly or in part through significant cable-system or programming interests. That makes it obvious why the television production companies among the Top 100, such as Gulf + Western (ranked 15, through its Paramount Pictures subsidiary) and Warner Communications (number 23), are increasingly eager to produce or distribute programming for cable markets. And it shows why longtime broadcasters Multimedia (12) and The Washington Post Company (16) have made significant cable investments.

But the Achievers Top 100 includes other kinds of success stories as well. Cleveland-based Malrite, the second-fastest-growing company in the group and owner of six television stations and 10 radio stations, showed significant cash-flow and revenue growth last year, despite being a major player in the difficult independent-station marketplace. Third-ranked Comcast is one of the hottest cable operators in the country. Just two months ago, Comcast announced plans to join with cable giant Tele-Communications Inc. to spend $2.85 billion buying the Storer cable properties, the most significant 1988 cable system acquisition.

Elsewhere in the top 10, Playboy's story is basically that of a troubled company now turning around and focusing on its publishing business. Home Shopping Network and Financial News Network, although facing competitive and financial hurdles, are beneficiaries of the rapidly growing basic-cable network field. Jones Intercable is another expanding cable operator, while Price Communications is a fast growing, highly leveraged broadcasting concern. Walt Disney is one of the great entertainment, amusement and marketing success tales of the '80s and Barris Industries (10) is a steady, carefully managed programming company.

Two consistent themes run throughout the stories behind the top 10 companies and those comprising the second 10. One, of course, is cable's success story, which also includes Century

ILLUSTRATIONS BY TERRY ALLEN

ABOUT CASH FLOW

Like many financial tools, cash flow—and even the term's precise definition—is the subject of considerable debate. Generally, cash flow is defined as the funds flowing through a business. But cash-flow elements vary from industry to industry. In judging performance for acquisition or investment, cash flow and cash-flow multiples are the most common valuation tools. That's because cash flow indicates how much money is available either to retain or to cover debt.

Cash flow is usually calculated by adding to net income so-called "non-cash" charges—depreciation and amortization—which are accounting calculations that do not necessarily reflect performance. Some analysts also add back capital expenditures and corporate expenses, since those cash uses are generally unrelated to the profit-generating parts of the business.

In the broadcast and cable fields, those calculations are relatively simple, except when TV stations get into the complex business of writing down or depreciating program inventories. But the cash-flow equation gets complicated for production firms that take tax write-offs on film and television program inventories.

The cash-flow figures for production companies in the Top 100 were calculated by taking the unusual step of not only adding back to net income depreciation and amortization, but also subtracting from net income the funds-usage category often labeled "film costs." In order to get those write-offs in later years, studios must invest in new product, and that outflow of funds should be reflected in measuring cash flow.

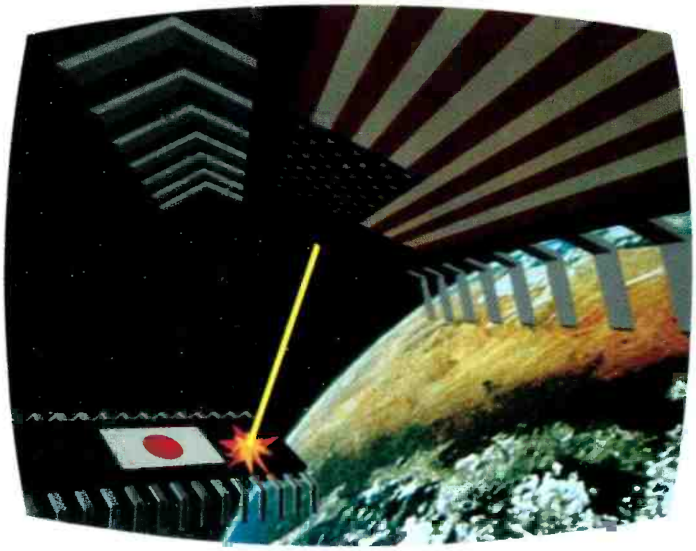
Communications (14), Rogers Communications (17), which is exiting the cable business and anticipating huge profits as a result, and 20th-ranked TCI, which has established itself as perhaps the most powerful company in the electronic media. With its position as the largest cable operator by a long shot and an investor in Turner Broadcasting and other network entites, TCI is a company that can make or break anyone trying to carve a niche in cable programming.

The second, slightly less predictable theme that emerges is the strong position of production companies, which have either struck it rich in the remarkably lucrative syndication field, have carefully managed their growth or have the talent to consistently turn out mass audience product. In addition to producers Disney and Barris, the second 10 is highlighted by King World Productions (13) and Gulf + Western.

It is little wonder therefore that many analysts say well run cable outfits and the Hollywood production companies that are strategically situated for the '90s—giants such as Paramount and Warner Communications—are the firms likely to have increasingly influential roles in the future of the television industry. Moreover, those two companies are major players in the cable business as well, with Paramount and MCA owning USA Network, one of basic cable's strongest networks, and Warner ranked as the nation's fifth-largest cable operator, with about 1.5 million subscribers.

That's not to say that there aren't opportunities for well managed broadcasting concerns, especially owners of network affiliates with strong local-news operations and radio operators with market clout. Nevertheless, as the Top 100 demonstrates, rapid growth in the media industry over the near term almost dictates control over product and distribution. That's why the most successful cable operators and production companies not only dominate the 1988 Achievers list, but could remain atop the industry for years to come. ●

TV DIRECT OFFERS SUPERB GRAPHICS...



THAT LEAVE ROOM FOR IMPROVEMENT.

The moment a story breaks, TV Direct artists begin generating computer-enhanced graphics designed with and without fonts for easy customization.

With four satellite feeds daily, you get TV Direct graphics and photos when you need them. In plenty of time for your noon, evening and nightly newscasts. From lead story visuals to topical charts, every graphic is backed by a library of 40,000 exclusive AP LaserPhotos and a worldwide staff of AP photographers. Resources designed to give you exactly what you need to illustrate any news story.

TV Direct puts the vast resources of the Associated Press and Conus behind every graphic. And still leaves plenty of room out front for your type fonts or station's logo. For more information call Rosie Oakley at 1-800-821-4747.

TVDirect
A VIDEO NEWS SERVICE OF AP AND CONUS

THE CHANNELS ACHIEVERS

How They Do It

20

REVENUE LEADERS

But after a tough year, only half show profit growth over '86.

COMPANY / DIVISION	1986-87 GROWTH (%) PROFIT*	1986-87 GROWTH (%) REV.	1987 ($ MIL) PROFIT*	1987 ($ MIL) REV.	5-YEAR CAGR (%) PROFIT*	5-YEAR CAGR (%) REV.	COMMENTS
CBS INC.[1]	20.6%	−3.0%	$ 452.5	$ 4,609.3	32.5%	5.4%	Net income grew 21 percent as sale of the record division added greatly to the bottom line. Owned and operated stations continue to be money machine, contributing $2.7 billion to '87 revenues of $4.6 billion.
BROADCAST GROUP	1.8	−1.6	232.8	2,761.8	−3.0	5.0	
RECORDS GROUP	−31.4	3.9	131.7	1,547.9	42.8	7.7	
MAGAZINES	−64.2	−26.4	3.8	299.6	−8.4	1.3	
CAPITAL CITIES/ABC, INC.	−37.7	7.7	279.1	4,440.3	23.7	46.3	Company pulled in record revenues, buoyed primarily by sales of stations as result of acquisition of ABC. Local ad strength at major-market stations, as well as $275 million in revenues from video division contributed to 9 percent increase in broadcasting revenues.
BROADCASTING	30.7	8.9	679.4	3,433.7	42.4	73.1	
PUBLISHING	−6.5	3.7	165.6	1,006.6	16.0	20.9	
COCA-COLA CO.[2]	−1.9	9.8	916.1	7,658.3	12.3	10.0	Entertainment operating income fell 86 percent in 1987, following write-down from merger of that division with Tri-Star to form a separate entity, Columbia Pictures Entertainment, of which Coca-Cola now owns only 49 percent.
ENTERTAINMENT	−86.3	−21.3	28.1	1,066.0	−4.7	18.4	
GANNETT CO., INC.	15.6	9.9	319.4	3,079.4	12.1	15.2	Company overall achieved gains in operating revenue for the 20th year in a row. GTG Entertainment was formed, reaffirming company commitment to TV productions; broadcast division earnings were flat.
NEWSPAPER PUBLISHING	16.6	12.5	584.5	2,521.3	14.2	16.3	
BROADCASTING	−5.0	1.6	109.8	356.8	15.3	17.2	
OUTDOOR ADVERTISING	−20.0	−4.2	37.1	201.8	−3.9	2.9	
GENERAL ELECTRIC CO.[3]	17.0	10.3	2,915.0	40,515.0	9.9	8.3	NBC scored top network ratings for the third straight year in '87, winning 48 of the 52 weeks, and added a seventh owned TV station. Profits neared the half-billion mark, rising nearly 12 percent on revenue growth of 4 percent.
NBC	11.8	3.8	455.0	3,165.0	33.4	12.1	
GREAT AMERICAN COMMUNICATIONS	Loss	5.7	−53.1	499.8	NA	6.9	Formerly Taft Broadcasting, company labors with a major loss in earnings, due in part to its takeover and restructuring by FMI Financial Group. Sales of five indies to TVX at a loss also hurt '87 figures.
BROADCAST	−0.3	−0.8	71.8	281.1	9.5	17.6	
ENTERTAINMENT	−22.4	44.6	10.4	208.6	−8.5	15.3	
LEISURE PROPERTIES	−94.0	−77.6	0.4	10.1	−55.3	−40.1	
GULF + WESTERN INC.[4]	33.2	23.8	356.1	4,681.1	16.1	3.7	Role of entertainment operations expands as revenue rose last year from 30 percent to 39 percent of total, while earnings contribution rose to 41 percent from 26 percent. Last year's TV revenues soared by 76 percent, topping $1 billion for the first time.
ENTERTAINMENT	130.8	59.8	297.3	1,829.6	22.3	9.0	
—Motion Pictures	NA	66.0	NA	558.3	NA	9.8	
—TV & Home Video	NA	75.8	NA	1,018.4	NA	20.8	
—Theaters, Sports & Other Entertainment	NA	7.1	NA	234.0	NA	23.5	
PUBLISHING/INFORMATION	14.9	13.2	161.5	1,074.0	NA	NA	
CONSUMER/COMMERCIAL FINANCE	12.0	5.3	324.1	1,777.5	28.3	10.4	

COMPANY / DIVISION	1986-87 GROWTH (%) PROFIT*	1986-87 GROWTH (%) REV.	1987 ($ MIL) PROFIT*	1987 ($ MIL) REV.	5-YEAR CAGR (%) PROFIT*	5-YEAR CAGR (%) REV.	COMMENTS
KNIGHT-RIDDER INC.	10.9	8.5	155.2	2,072.6	8.6	9.3	Stations had what the company termed "a tough year," with operating income down 34.7 percent. Results included a $2.4 million write-down of syndicated program contracts. Two system acquisitions increase TKR subs to 235,000. Newspaper advertising yields 71 percent of revenue.
NEWSPAPERS	8.4	9.3	326.2	1,845.2	NA	8.8	
BROADCASTING	−34.7	1.9	14.5	104.5	NA	19.3	
BUSINESS INFORMATION SERVICES	NA	11.7	−1.0	99.3	NA	13.8	
OTHER	NA	−20.3	.8	50.6	NA	19.0	
LORIMAR TELEPICTURES CORP.[5]	Loss	47.0	−58.6	766.2	NA	33.1	Company suffered reverses in film ($45 million second quarter write-down), home video and other areas, along with a huge drop in stock price with October market crash. Became leading supplier of prime time network series and first-run. Net losses worsened, although net revenues posted 47 percent gain.
ENTERTAINMENT	NA	NA	−46.0	574.0	NA	NA	
—TV	NA	NA	NA	420.4	NA	NA	
—Theatrical	NA	NA	NA	46.6	NA	NA	
—Home Video	NA	NA	NA	91.3	NA	NA	
—Other	NA	NA	NA	15.8	NA	NA	
ADVERTISING	NA	NA	3.2	183.1	NA	NA	
OTHER	NA	NA	1.7	9.1	NA	NA	
MCA INC.[6]	−9.0	6.2	137.3	2,589.6	−4.9	10.3	Soft market for hour shows hurt syndication efforts, while filmed entertainment division operating income grew 89 percent despite loss in revenues from theatrical releases. Net income dropped 9 percent.
FILMED ENTERTAINMENT	89.4	1.7	162.9	1,330.3	−5.2	6.0	
—Theatrical	NA	−31.4	NA	194.8	NA	−18.5	
—TV	NA	7.3	NA	711.9	NA	20.8	
—Home Video & Pay TV	NA	21.5	NA	303.5	NA	23.3	
BROADCASTING	NA	NA	0.7	85.3	NA	NA	
MUSIC ENTERTAINMENT	21.0	23.6	40.9	477.5	10.3	22.1	
NEWS CORP. LTD.[7]	217.2	31.3	544.4	3,503.4	72.1	20.4	Fox Network lost millions in premier operating year, but News Corp. still, for first time ever, generated more revenue from TV and filmed entertainment (39 percent) than from newspapers (38 percent). With purchase of *South China Morning Post*, NC gains media foothold on a fourth continent.
NEWSPAPERS	122.0	−3.0	237.5	1,330.7	36.8	3.4	
MAGAZINES	−0.1	5.3	67.6	376.1	43.8	17.9	
TV	101.3	84.5	76.1	452.5	47.2	40.6	
FILMED ENTERTAINMENT	110.0	138.3	113.0	914.6	NA	NA	
TELE-COMMUNICATIONS INC.	−92.3	164.7	5.6	1,709.4	−11.6	45.1	TCI revenues skyrocketed in '87, due mainly to aggressive acquisition strategy, netting companies like United Artists Communications. But net income sagged greatly—down 92.3 percent—because company spends earnings rather than pay taxes on them.
CABLE TV	101.0	89.7	310.2	1,225.1	38.9	35.8	
THEATERS	NA	NA	47.9	484.3	NA	NA	
TIME INC.	−33.5	11.5	250.0	4,193.0	10.3	12.1	1986 spin-off of ATC partially responsible for 33.5 percent drop in '87 net income. Cost reduction program aided magazine division in 74.7 percent improvement in operating income. Recovery in HBO sub growth rate resulted in 12.6 percent increase in operating income for programming division.
MAGAZINES	74.7	2.9	283.0	1,621.0	21.9	11.5	
BOOKS	20.5	43.9	88.0	954.0	25.7	10.4	
PROGRAMMING	12.6	2.0	125.0	971.0	2.0	12.1	
CABLE TV	27.1	12.1	150.0	714.0	20.9	15.6	
TIMES MIRROR CO.	−34.7	7.0	266.5	3,154.6	13.8	7.4	Sale of *Denver Post* at a loss helped reduce net income 35 percent. Nevertheless, company managed first year of $3 billion-plus revenues, with newspapers contributing 63 percent. Publishing segment also grew in revenues and earnings.
NEWSPAPERS	14.2	15.6	377.9	1,995.9	20.3	11.8	
BOOKS & MAGAZINES ETC.	21.6	10.5	119.5	648.4	11.3	6.3	
BROADCAST TV	−17.5	−13.5	58.4	110.1	3.4	1.9	
CABLE TV	−21.3	−1.3	28.8	239.8	7.6	7.6	
TRIBUNE CO.	−51.8	6.4	141.5	2,160.0	42.7	8.6	Severance charges from '87 labor negotiations contributed to 51.8 percent drop in net income. Higher programming costs helped cause 4 percent drop in broadcast operating income, despite increased TV and entertainment revenues.
NEWSPAPERS	−4.1	8.2	192.0	1,475.9	22.8	7.2	
BROADCAST & ENTERTAINMENT	−4.0	4.1	62.9	485.3	17.2	21.6	
NEWSPRINT OPERATIONS	120.5	1.8	73.0	385.0	40.8	4.0	
TURNER BROADCASTING SYSTEM INC.	Loss	17.1	−131.8	652.4	NA	31.5	TBS finished the year at a loss, though separate divisions, except for sports, showed significant advances—a sign that the core businesses are healthy. Broadcast and cable contributed $430 million to $652.4 million in total revenues.
BROADCASTING	160.5	8.8	86.5	222.3	22.6	17.3	
CABLE PRODUCTIONS	36.2	24.8	66.2	208.6	NA	32.1	
PROGRAM SYNDICATION & LICENSING	19.7	17.9	75.4	159.0	NA	NA	
SPORTS	NA	−4.6	−5.7	22.8	NA	5.6	
REAL ESTATE	300.0	61.7	7.6	38.0	NA	NA	
VIACOM INC.	Loss	10.0	−123.5	1,010.7	NA	29.1	Though takeover-related costs redden the bottom line, operating results are strong, especially from cable systems. "Entertainment" growth points up new owner Sumner Redstone's reemphasis on production/syndication.
NETWORKS	10.6	2.6	68.8	523.6	NA	NA	
ENTERTAINMENT	80.4	5.6	25.8	81.6	6.2	9.8	
CABLE TV	26.6	21.5	108.5	282.8	41.2	20.2	
BROADCASTING	30.6	18.7	57.6	132.1	27.9	2.4	
WALT DISNEY CO.	79.8	32.8	444.7	2,876.8	34.5	22.8	Theme parks still give Disney 71 percent of its operating income, but movies/TV was its fastest growing sector as the studio rose to number 2 at the box office and its offerings clicked in syndication.
THEME PARKS & RESORTS	36.0	20.4	548.9	1,834.2	32.9	20.4	
FILMED ENTERTAINMENT	153.1	71.1	130.6	875.6	46.1	34.1	
CONSUMER PRODUCTS	34.4	28.3	97.3	167.0	15.3	10.3	
WARNER COMMUNICATIONS INC.	50.5	19.5	328.1	3,403.6	4.9	17.7	All divisions reported record results, with WCI's cable and broadcasting sector showing operating income up 184.6 percent. International sales account for 38 percent of WCI's revenues, which topped $3.4 billion or grew 19.5 percent over '86.
FILMED ENTERTAINMENT	2.4	8.3	176.4	1,355.7	11.4	15.2	
RECORDED MUSIC & MUSIC PUBLISHING	42.0	34.4	213.9	1,530.6	29.6	15.3	
PUBLISHING & RELATED DISTRIBUTION	2.7	−1.7	11.6	130.3	−1.5	8.0	
CABLE & BROADCASTING	184.6	18.8	46.1	387.0	NA	NA	
WASHINGTON POST CO.	36.3	8.3	186.7	1,315.4	28.9	10.4	Net income rose a strong 32 percent, excluding a $54 million gain from the divestitures of cellular and SportsChannel interests. Newspaper revenues and profitability accounted for most of the improvement; cable division earnings grew 51 percent. But both *Newsweek* and broadcast operations were flat.
NEWSPAPERS	11.1	10.0	145.1	648.1	20.7	9.4	
MAGAZINES	−14.5	0.0	15.3	322.2	2.8	2.9	
BROADCASTING	0.1	2.6	70.3	171.4	18.7	9.7	
CABLE TV	50.8	16.1	17.8	98.6	NA	NA	

* Company-wide total is Net Profit. Segment totals are Operating Profit. All figures reflect fiscal years. NA = Not Applicable or Not Available. [1]In its 1987 Annual Report, CBS considers Records and Magazine groups as discounted operations. However, both groups were sold in late 1987. They are broken out here under consolidated operations. [2]Coca-Cola's Entertainment figures reflect performance until Dec. 17, 1987, when it merged with Tri-Star Pictures. [3]NBC 1986 figures reflect five months under RCA and seven months under GE. 1982 figures are from RCA. [4]1982 TV & Home Video revenues do not include home video. 1982 Theaters, Sports & Other Entertainment revenues do not include theaters. [5]1986 net revenue and net income have been restated to reflect a full year's performance. Segment figures for that year reflect only 8 months' performance, due to a change in fiscal year after the merger of the two companies. [6]Music Entertainment revenues include fees for domestic distribution of home video products. They are excluded from Home Video revenues. [7]Division figures converted from Australian to U.S. Dollars using the following exchange rates: 1987, .6588; 1986, .6980, 1982, 1.099 ($ U.S. per $Aus. 1.00). All 1982 segment figures are News Corp. estimates. Financial information compiled by *Channels* from each company's 1987 annual report.

CARRYING THE LOAD

It's getting harder to borrow too much.

A scattering of failed deals, tax law changes and a lingering wariness on the part of lenders still reeling from October's stock-market debacle have made borrowing more difficult for all media. But some industries, such as cable, have weathered the storm better than others. Radio and television broadcasters, on the other hand, have been hardest hit by the events of the last nine months.

Burdensome debt loads—the legacy of highly leveraged station acquisitions made over the past two years—have come back to haunt broadcasters, sometimes with devastating results. Metropolitan Broadcasting and TVX Broadcast Group are examples of borrowing gone awry: Metropolitan was forced to sell stations it bought from Metromedia in a heavily leveraged deal in 1986; TVX is trying to sell stations to reduce debt incurred from its acquisition last year of five Taft independent stations.

It is miscues such as these that have cast a pall over the broadcast industry in the eyes of once aggressive lenders. "You're dealing with people who've been pretty badly burned in broadcasting," says Anthony Hoffman, managing director of ComCapital Group. "In the past, people were willing to grant that a new operator could improve the market share of a property and would accept his projections accordingly. Now it's no longer a given. Lenders and investors are starting with a clean sheet of paper, taking a hard look at the numbers and deciding for themselves what's realistic, what's reasonable."

Independent broadcasters are suffering most: "Deals are just not getting done," says analyst Elisabeth Swanson of Credit Du Nord. Adds L. Mark Stone, vice president with Henry Ansbacher Inc., "There's been a definite pullback among lenders, especially in terms of the multiples of cash flow they will lend against." In the midst of it all, broadcasters are searching for ways to cope. Analysts predict a resurgence in one method—seller paper, which was broadcasters' staple financing tool before junk bonds came along.

Production companies, which often rely on debt to start the cameras rolling, have not been hit as badly, but some, especially independents, have seen at least a partial retreat by lenders. "You don't find people throwing money at you," says Richard L. Intrator, a vice president with Kidder, Peabody & Co. "On the other hand, there's been no wholesale abandonment of production. Lenders who really understand the business are still participating, and those who stood on the sidelines before are now standing a little further back."

In light of such failed ventures as De Laurentiis Entertainment Group, Intrator says providers of financing are exhibiting more due diligence when they lend. "They are looking for predictability and stability of cash flows," he says. "They want to be made more comfortable with what the syndication values are going to be . . . with the diversification of the portfolio."

The major studios should have little trouble fitting such a bill. But with a glut of programming already on the market, Hollywood's smaller players will find it more and more difficult to secure production financing. "It's getting real tough for independents to survive," says Dennis McAlpine, an analyst with Oppenheimer & Co. "On one hand they have to compete with a growing quantity of product being turned out by the major studios, and on the other they have to cope with the fact that tax changes have diminished further the usefulness of financing alternatives like limited partnerships."

While broadcasters and production companies are suffering, cable operators are near rejoicing, and borrowing more than ever. Fueled by consolidation of the industry, outstanding cable debt grew by 23 percent last year, despite a temporary slowdown in system trading after the crash, and topped the $25 billion mark, according to Paul Kagan Associates. If a change is to be found on the cable-financing front, it's in the structuring of specific deals. "We're not seeing overly aggressive applications as we did in the past," says Steven Rattner, managing director of Morgan Stanley & Co. "Lenders are looking at deals more closely and structuring them more rationally. Financings are still creative, but operators now have to bring some equity to the table."

PAUL NOGLOWS

THE CHANNELS ACHIEVERS

Performance

BROADCAST

The search for profits and audiences.

Deregulation and Wall Street's mid-decade love affair with broadcasting has brought about the rapid emergence of a host of fast growing but as yet unprofitable new broadcasting companies. That fact, combined with the difficult broadcast-advertising marketplace and the rise of competitive advertising and viewing alternatives, has produced an industry with sagging profitability. That's primarily why the broadcasting segment's return on equity (ROE) average fell sharply compared with '86. Less than a third of the 33 broadcasters in the segment reported ROE improvements last year.

In the highest ranks of the broadcast list are cost-conscious older and less expansive broadcasters such as CBS, Scripps-Howard and Chris-Craft, as well as large companies with interests in other fields that dwarf their media holdings, like insurance giants American Family and Jefferson-Pilot and the conglomerate, General Electric. CBS reported the highest ROE in the field as the Laurence Tisch management organization was able to significantly cut expenses and, as a result, increase profitability. Strong earnings by Clear Channel Communications and Infinity Broadcasting, growing powers in the radio-station business, also helped strengthen broadcasting's top tier. In the lower ranks were a number of heavily leveraged, expanding companies such as TVX Broadcasting, which, although growing more rapidly than perhaps any other company in television, is struggling to gain profitability.

Of the four television-industry segments, only the aggressively expansive cable-operator group had a higher debt/equity ratio in 1987. Broadcasters, for the most part, although not nearly as acquisitive as cable operators, were unable to cut their debt load.

RANK	COMPANY	1987 RETURN ON EQUITY	1986 RETURN ON EQUITY	1987 DEBT/EQUITY	1987 DEBT/EQUITY RANK	1986 DEBT/EQUITY
	AVERAGE	–0.03[1]	0.25[1]	1.31[2]		1.18[3]
1	CBS	0.38	0.47	0.80	12	0.78
2	AMERICAN FAMILY	0.19	0.23	0.06	4	0.09
3	CLEAR CHANNEL COMM.	0.17	0.13	2.90	19	3.68
4	SCRIPPS-HOWARD BROADCASTING	0.16	0.04	1.91	16	2.21
5	LIN BROADCASTING	0.15	0.10	0.13	5	0.13
6	INFINITY BROADCASTING	0.14	0.09	9.19	23	4.69
7	CHRIS-CRAFT	0.13	0.23	2.83	18	3.75
8	GENERAL ELECTRIC	0.13	0.16	0.27	9	0.29
9	UNITED TELEVISION	0.12	0.17	0.94	13	1.19
10	JEFFERSON-PILOT	0.12	0.10	0.00	1	0.00
11	PARK COMM.	0.11	0.11	0.42	10	0.51
12	LIBERTY CORP.	0.11	0.12	0.76	11	0.74
13	A. H. BELO	0.11	0.12	1.48	15	1.36
14	WESTWOOD ONE	0.11	0.10	1.19	14	1.34
15	DURHAM CORP.	0.08	0.10	0.00	2	0.00
16	GRAY COMM.	0.08	0.13	0.00	3	0.00
17	SELKIRK COMM.	0.05	0.08	0.20	7	0.25
18	STAUFFER COMM.	0.05	0.33	0.23	8	0.26
19	PRICE COMM.	–0.13	1.76	–3.76	29	–30.21
20	SATELLITE MUSIC NET.	–0.15	0.04	0.13	6	0.00
21	JACOR COMM.	–0.16	–0.02	4.41	20	2.63
22	MALRITE COMMUNICATIONS	–0.17	–0.16	2.35	17	2.02
23	GENCORP	–0.19	0.07	–4.88	31	0.16
24	EMMIS BROADCASTING	–0.32	–0.02	–3.87	30	–3.15
25	OSBORN COMM.	–0.52	–0.37	7.80	22	12.00
26	OLYMPIC BROADCASTING	–0.71	2.53	–2.54	27	–7.33
27	TELEMUNDO GROUP	–0.85	NA	4.79	21	7.03
28	FAIRCOM	–0.94	16.00	–3.68	28	–133.00
29	TVX BROADCASTING	–1.04	–1.56	–0.19	26	12.85
30	OUTLET COMM.	–1.69	–2.11	17.62	24	12.57
31	BURNHAM BROADCASTING	–2.39	–63.00	–25.76	33	664.00
32	AMERICAN COMM. AND TV	–3.33	–4.57	–5.83	32	5.57
33	SUN GROUP	–4.29	–0.41	24.71	25	3.59

[1] Excludes Faircom, TVX, Outlet, Burnham, Amer. Comm. and TV, and Sun Group

[2] Excludes Amer. Comm. and TV, Burnham, Faircom, Olympic, Emmis, Price, Outlet and Sun Group

[3] Excludes Burnham, Faircom, Price, Osborn, TVX and Outlet

THE CHANNELS ACHIEVERS

Performance

CABLE

Highly leveraged and poised for growth.

Cable networks and operating companies, like other media firms, took a beating after last October's stock market crash, but the business actually fared better than others in the entertainment industry, such as broadcast. Where cable concerns showed increases in return on equity (ROE) from 1986 to '87, the increases were, for the most part, less dramatic than those from '85 to '86. Isolated companies did show significant gains. ROE for Acton Corp., for example, was .24, but grew to 1.58 in '87 as the multi-system operator substantially increased revenues and cut expenses last year. Others, such as Financial News Network and CVN Companies, are enjoying the media industry's recent infatuation with ad-supported cable programming services.

The bulk of cable-related companies in this chart, however, experienced decreases in ROE last year. And while it is a reflection of the overall state of the economy, there are also a number of individual explanations for the companies' poorer performances in '87. Home Shopping Network experienced a series of setbacks including problems with its phone system; Cablevision Systems went on a buying spree, acquiring a number of individual systems and majority interest in three of the SportsChannel regional networks; Adelphia Communications spent $294 million for cable systems.

But ROE can be deceptive as a measure of a company's overall performance, as can the average debt/equity ratio in the quickly growing cable industry, which surpassed that of other entertainment-industry segments as companies borrowed for expansion. Largest cable operator Tele-Communications Inc., for example, widely regarded as one of the most efficiently run companies in the business (and one of the best investments), has one of the highest D/E ratios and one of the smallest ROEs as a result of its strategy of reinvesting profits.

RANK	COMPANY	1987 RETURN ON EQUITY	1986 RETURN ON EQUITY	1987 DEBT/EQUITY	1987 DEBT/EQUITY RANK	1986 DEBT/EQUITY
	AVERAGE	0.07[1]	0.05[2]	2.09[3]		1.68[4]
1	ACTON CORP.	1.58	−0.24	0.00	1	−2.18
2	WESTERN TCI	0.36	0.30	9.33	18	4.92
3	ATC	0.26	0.18	2.66	12	2.07
4	HOME SHOPPING NET.	0.25	0.36	2.84	13	0.16
5	FINANCIAL NEWS NET.	0.22	0.14	0.00	2	0.00
6	TIME	0.20	0.29	0.90	6	0.71
7	MACLEAN HUNTER	0.18	0.18	0.19	4	0.37
8	TCA CABLE	0.09	0.21	1.08	7	0.54
9	JONES INTERCABLE	0.09	0.08	2.53	11	2.88
10	UNITED ARTISTS COMM.	0.04	0.07	7.43	16	5.32
11	CVN COMPANIES	0.04	−0.04	0.08	3	0.09
12	FALCON CABLE SYSTEMS	0.03	−0.16	1.20	8	0.68
13	TCI	0.01	0.10	5.90	15	4.01
14	CENTEL CABLE	0.00	0.03	0.19	5	0.61
15	ROGERS COMM.	−0.03	−0.12	2.37	9	2.28
16	COMCAST	−0.04	0.01	2.38	10	3.68
17	UNITED CABLE	−0.06	0.18	7.98	17	7.09
18	AMERICAN CABLESYSTEMS	−0.23	0.60	5.62	14	5.24
19	CENTURY COMM.	−0.48	0.02	52.07	19	3.01
20	TURNER BROADCASTING SYSTEM	−0.49	−0.90	−5.25	20	−6.54
21	CABLEVISION SYSTEMS	−0.65	−0.42	−5.61	21	NA
22	ADELPHIA COMM.	−1.21	−0.30	−19.33	23	−2.92
23	ESSEX COMM.	−2.22	−7.50	−10.00	22	NA
24	TEMPO ENTERPRISES	NA	0.61	NA	NA	4.97

[1] Excludes Tempo, Adelphia and Essex. [2] Excludes Essex. [3] Excludes Tempo, Essex, Adelphia and Century. [4] Excludes Essex and Cablevision.

THE CHANNELS ACHIEVERS

Performance

DIVERSIFIED

Large and lumbering, but steady as they go.

As the stakes get higher in the television business, diversification has become a common way to limit risk. Companies have attempted to cushion the risks associated with doing business in the broadcast industry by looking for other, related businesses in which to invest—in some cases, outside of the communications industry.

After glancing at the list of some of the media industry's largest and most successful companies, it's not hard to see why. These 17 companies racked up the highest average return on equity, with the lowest average debt/equity ratio, of any of the other media-industry segments listed in *Channels'* Achievers. Their balance sheets are, by and large, strong, and only in recent years have the diversified companies begun borrowing up to their capabilities. All are big and powerful, with interests in more than one media-related business: Lee Enterprises, Washington Post, Gannett. Some have vast holdings in businesses unrelated to the communications field: Westinghouse, News Corp. As a result, they've withstood, relatively unscathed, the recent turmoil in the network and station businesses.

Pulitzer Publishing Co., with record performance in its publishing division last year and flat financial performance in its group of seven TV stations, did so well that its year-end figures are excluded from the industry average to avoid skewing the results. And its thirst for expansion has not been quenched, as it's assumed a large amount of debt for the purchase of *Southtown Economist* and also borrowed heavily to repurchase more than six million shares of its common stock. But for the most part, these companies showed little change in financial performance from 1986 to '87, lumbering along, making money and expanding through acquisitions.

RANK	COMPANY	1987 RETURN ON EQUITY	1986 RETURN ON EQUITY	1987 DEBT/EQUITY	1987 DEBT/EQUITY RANK	1986 DEBT/EQUITY
	AVERAGE	0.11	0.16	0.78		0.76
1	PULITZER PUBLISHING[1]	0.81	2.45	7.88	16	26.78
2	LEE ENTERPRISES	0.29	0.25	0.50	6	0.12
3	WASHINGTON POST	0.22	0.23	0.25	4	0.77
4	WESTINGHOUSE	0.21	0.22	0.23	3	0.17
5	McGRAW-HILL	0.20	0.18	0.00	1	0.01
6	GANNETT	0.20	0.19	0.68	11	0.84
7	NEW YORK TIMES	0.19	0.19	0.41	5	0.31
8	TIMES MIRROR	0.18	0.31	0.60	9	0.64
9	KNIGHT-RIDDER	0.17	0.17	0.56	8	0.76
10	TRIBUNE CO.	0.13	0.27	0.50	7	0.47
11	CAPITAL CITIES/ABC	0.13	0.23	0.76	13	0.93
12	MEDIA GENERAL	0.12	0.05	0.68	10	0.63
13	MEREDITH	0.10	0.16	0.02	2	0.19
14	NEWS CORP.	0.07	0.07	0.72	12	0.62
15	MULTIMEDIA[2]	0.02	0.01	−1.48	17	−1.51
16	GREAT AMERICAN COMM.	−0.19	0.06	1.75	14	2.26
17	VIACOM	−0.23	−0.02	4.10	15	2.67

[1] Pulitzer omitted from all averages.   [2] Multimedia omitted from 1987 and 1986 Debt/Equity averages.

THE CHANNELS ACHIEVERS

Performance

PRODUCTION

Hollywood's rapid expansion has a price.

It shouldn't be surprising that King World Productions, home of *Wheel of Fortune*, was the production industry's most successful company in 1987. In just two years, its revenues and profits have tripled. As a result, King World's return on equity (ROE) is, by far, the highest of any of the 26 large and small firms in this industry segment. But the broader story in the production and distribution industry is far less positive, as the average ROE in 1987 fell to 0.05, far lower than production's 1986 or 1985 ROE. Only nine of the companies measured in the field showed ROE gains last year.

At the same time, the segment's companies continue to borrow their way through their problems, with the average debt/equity ratio up 50 percent. Fourteen of the firms' debt/equity ratios rose in 1987; financially strapped New World Entertainment showed the highest debt/equity ratio.

The companies' problems can be attributed to the industry's expansion in the mid-eighties, a period in which many new, smaller firms entered into TV production. The marketplace for programming had expanded as new outlets developed for first-run programming. Most of the smaller firms, without the benefit of vast program libraries, have struggled to carve niches during a period that also saw an unprecedented number of bankruptcies within a key distribution outlet—independent TV stations.

Yet the losses indicated by negative ROEs also suggest that mid-sized companies such as MGM/UA and Hal Roach continue to make major investments in programming, willing to wait out a slow period of studio and distribution consolidation without halting production. Other companies such as Carolco, which acquired Orbis, and Prism, which acquired Fox/Lorber, are investing in other aspects of the production industry by acquiring syndication and distribution arms to strengthen their companies' reach.

RANK	COMPANY	1987 RETURN ON EQUITY	1986 RETURN ON EQUITY	1987 DEBT/EQUITY	1987 DEBT/EQUITY RANK	1986 DEBT/EQUITY
	AVERAGE	0.05	0.16	0.92		0.64
1	KING WORLD PRODS.	0.87	0.45	0.51	12	0.00
2	AARON SPELLING PRODS.	0.41	1.24	0.44	10	0.00
3	BARRIS	0.34	0.20	1.31	21	0.00
4	WALT DISNEY	0.24	0.17	0.32	9	0.39
5	NEW LINE CINEMA	0.23	0.33	0.70	17	0.11
6	ROBERT HALMI	0.21	0.17	1.85	23	0.65
7	PLAYBOY	0.21	−0.52	0.04	5	0.06
8	PRISM ENT.	0.21	0.26	0.07	6	0.06
9	LAUREL ENT.	0.20	0.33	0.00	1	0.00
10	WARNER COMM.	0.19	0.16	0.28	8	0.44
11	CAROLCO	0.18	0.20	0.89	18	1.13
12	GULF + WESTERN	0.17	0.12	0.63	13	0.66
13	DICK CLARK PRODS.	0.15	0.44	0.00	2	0.00
14	REEVES COMM.	0.12	0.11	0.65	14	0.66
15	MCA	0.09	0.10	0.65	15	0.16
16	ORION PICTURES	0.07	−0.28	1.91	24	1.48
17	REPUBLIC PICTURES	0.06	0.06	0.12	7	0.18
18	COLUMBIA PICTURES ENT.	0.05	NA	0.46	11	NA
19	HERITAGE ENT.	0.01	0.23	0.03	4	0.06
20	FRIES ENT.	−0.01	0.13	1.28	20	1.26
21	LORIMAR TELEPICTURES	−0.15	−0.11	1.03	19	1.30
22	HAL ROACH STUDIOS	−0.17	−0.24	0.67	16	0.02
23	MGM/UA COMM.	−0.33	0.05	1.72	22	0.52
24	NEW WORLD ENT.	−0.41	0.20	6.15	26	5.53
25	VESTRON	−0.63	0.15	2.26	25	1.36
26	PEREGRINE ENT.	−0.90	0.01	0.00	3	0.00

THE CHANNELS ACHIEVERS

Forecasts

THE TELEVISION OUTLOOK

Quadrennial years are always good for broadcasters, but come 1989, watch out.

ECONOMY

After the Crash, Unease

Economists are divided about the prospects for both the national and broadcast economies for the rest of the year, though all are in unison about the growing unease over what 1989 will bring.

For much of 1988 the boom in mega-acquisitions, combined with what proved to be unwarranted fears that this year would bring a serious recession, has propelled a surprisingly strong performance by the stock market. The dollar held up reasonably well against most foreign currencies.

But market hesitancy about November's presidential and congressional elections, and a growing fear about national economic factors such as the impact of mounting trade and budget deficits, leave considerable uncertainty about late '88 and 1989. The economy is fundamentally weak, with economic growth slowing considerably and real Gross National Product unlikely to rise by more than about 1 percent from the fourth quarter of '87 to the fourth quarter of this year. Moreover, consumer spending has been flat, suggesting a continuing lack of confidence in the economy stemming from last October's stock market crash. Therefore, a mild recession seems likely by early 1989.

Despite the early 1988 strength in the financial markets, most television industry observers were disappointed with the general lack of growth in advertising spending. Factors contributing to the slowdown were the abrupt end to a competitive Republican presidential primary race and the withdrawal of most Democratic candidates, which meant fewer political ad dollars in the market. With the larger economy looking cloudy, there's far less bullishness about the previously expected gains in ad spending tied to Olympics/election year spending cycles.

MERRILL BROWN

CABLE OPERATORS

Consolidation Continues Apace

February's collapse of the first consortium deal to acquire SCI may have marked the beginning of a new phase in the continuing consolidation of the cable industry: Huge deals (there are few left to be done) are becoming increasingly difficult to close because major properties have what appear to be untenable strings attached. When the new, $2.85 billion SCI deal was announced, the price tag had been cut.

"There are only several billion-dollar deals left to do this year," says Thomas Engel, former president of brokerage firm Pat Thomson and now president of Bauce Communications, a cable and cellular concern. At the same time, tax savings for sellers of smaller systems—worth from $5 million to $10 million—have spurred sales, as have rising per-subscriber prices, which have increased about 30 percent since last year.

System values continued to rise in 1987 and are expected to climb through '88. A high point was reached in the sale of Cable Associates' Lancaster, Pa., system to Lenfest Communications, which traded for more than $2,600 per sub in '88, according to Paul Kagan Associates. Industry consolidation also moved further along with the $2 billion merger of multi-system operators United Cable and United Artists. Cable giant TCI will own 52 percent of the merged company. But among cable's critics, the deal raises again the specter of antitrust violations: "If TCI continues to grow," speculates one analyst, "a new administration arriving in Washington may adopt a 'Let's break up TCI' attitude. But TCI is well-positioned to be split should that happen." Other regulatory issues that have plagued cable, such as syndicated exclusivity and must-carry, seem to have taken a back seat as the industry has assumed a newly conciliatory tone toward broadcasters.

Another potentially explosive issue, subscription rate increases, also seems to have died down. The hikes have been met with little resistance from legislators and subscribers, in part, says Drexel Burnham Lambert analyst Jeffrey Russell, because many operators have sweetened the increases with upgraded service. Operators can also look for increased revenue from local ad sales, especially as interconnects grow and insertion-equipment sales take off.

Dennis Leibowitz of Donaldson, Lufkin & Jenrette says the most vexing problem MSOs face is legislative approval of telephone company entry into cable. Although wide-scale competition is likely a ways off, the immediate threat is in how the market will react to cable company stock.

KIRSTEN BECK

CABLE PROGRAMMING

Learning to Love The Backend

Cable programmers are becoming adroit dealmakers, skilled at locating new sources for programming and piecing together unexpected sources of income to finance it. The past year's programming highlights—a launch announcement from Turner Broadcasting System's TNT channel and Viacom's sale to broadcast of shows previously exclusive to cable (Showtime's *It's Garry Shandling's Show* and Nickelodeon's *Double Dare*), have set the tone for what to expect in the coming year as cable networks discover how lucrative the backend can be.

Operators are also positioned to reap reward in the programming business. Increased vertical integration—most noticeable in 1987's $600 million cash infusion for Turner Broadcasting from an MSO consortium led by TCI—is altering the face of the industry. According to Anthony Hoffman, managing director of ComCapital Group, the percentages of TBS owned by individual consortium members are too small for significant financial returns. Consequently, he predicts the consortium will "keep TBS poor by keeping rates low, continue to provide equity" and eventually gain control of the company. Hoffman says that TCI, in this as in other program-related deals, has set out to gain control of significant original-programming resources. Other analysts, including Lee Clayton of Browne Bortz and Coddington, note that "control" is probably not TCI's ultimate aim; gaining significant leverage over programmers is. Pay growth will improve modestly in 1988, but may decline again along with basic growth once metro construction slows. But "the next hurdle for cable programmers is significant investments in programming," says Ed Hatch, Merrill Lynch analyst. The 16 top-rated basic services will increase 1988 program spending to $645.3 million from $551.7 in '87, according to Paul Kagan Associates. Some observers predict that the high price of programming will make ancillary sales to broadcast and other outlets more palatable to operators who balked about losing "exclusivity" with sales of cable shows to broadcasters. In the meantime, the rise in cable ad spending—expected to reach more than $1.4 billion by the end of this year—will continue to add to cable operators' and networks' bottom line. KIRSTEN BECK

NETWORKS

New Life From Diversification

● If the last several years have meant nothing but upheaval for the broadcast networks, then the first half of this year may have signaled the beginning of a calm, and a new way of network life—at least for two of the Big Three.

While Fox is attempting to establish itself as a full-fledged network (it brought in about $150 million in revenue last year) in a TV landscape cluttered with cable, VCRs and backyard dishes, Capital Cities' ABC and General Electric's NBC have decided they must *broaden* their focus to remain viable. "A lot of people always felt there was only enough room for two and a half networks," says Mabon Nugent analyst Raymond Katz. "It's not a growth business, that's for sure."

NBC recently moved to buy cable programmer Tempo Television, but so far ABC is the best example of how well diversification can work. Its investments in cable networks have begun to pay off handsomely. ESPN, of which Cap Cities owns 80 percent, earned more than the ABC network in '87. The company has interests in Lifetime and Arts & Entertainment as well. Under Cap Cities' management, the focus on the company's owned-and-operated stations is also paying off. In 1987, according to Dennis Liebowitz of Donaldson, Lufkin & Jenrette, Cap Cities' stations earned almost seven times what the network did and accounted for almost half the operating income. For '88, analysts predict 7 to 8 percent revenue growth companywide.

Part of ABC's growth last year came from its winter Olympic coverage, just as NBC will benefit this fall from airing the summer Olympic Games. And both networks benefited in '87—and will through the end of this year—from political campaign spending. But all are "nonrecurring events," which concerns some, as does the possibly ephemeral nature of NBC's prime time lineup, which has driven its growth in the last several years. But plans for diversification should cushion any downside and move the networks strongly into a new era.

The "diversification" philosophy, however, has made little impact at CBS, which seems to be taking the opposite tack under Laurence Tisch. While Francine Blum, an analyst at Wertheim Schroeder, says the company is attractive as an investment on a long-term basis because of its asset value, Tisch's focus on broadcasting, and his divestiture of every other company division, has some in the financial community scratching their heads: "All he does is sell businesses," says one. "I don't know if he knows how to run them." Katz projects a 4 percent increase in sales this year over last, and claims he is probably "more bullish" than he should be. "It's the worst quadrennial year they've had," he says of CBS, which also fell to third place in ratings for the first time. With his '89 model showing CBS sales up 2 percent, if at all, the coming year, he adds, "does not portend anything good." CECILIA CAPUZZI

PRODUCTION

Looking for Help From Abroad

● In the coming months, Hollywood executives will continue to concentrate on three issues: cost, cost and cost.

Domestically, studios and production companies, facing flat or only slightly higher license fees than they received one or two years ago from the networks, have come to expect little more in the near future. So a growing number say they will require that foreign sales cover the remainder of a show's deficit before going into production. At the same time, they're searching for ways to cut production costs. Some are turning more and more to independent production companies to circumvent unions, as well as running increasingly to Canada for more relaxed work rules and less expensive, if less expert, crews.

But producers will have to search out other answers as well, because above-the-line cost spirals will likely continue to outpace the estimated 6 percent annual below-the-line increases. One sensitive path leads to exploiting the loosening financial interest and syndication restrictions that allow limited network program ownership. This could entail following Stephen J. Cannell's lead with his NBC show, *Sonny Spoon*, by simply going for a producer's fee and distribution revenue, while letting the network own the show and swallow the production deficits.

On the foreign front, producers will aggressively hunt for co-production partners to spread the risk. Scripts and shows will gain in both foreign content and performers to enhance the product's sale overseas. Syndication's importance will continue to grow domestically as well, but heightened competition among suppliers shows little sign of letting up, especially when such production powerhouses as MCA and Warner Bros. have shown interest in staking serious claims on the market. NEAL KOCH

STATIONS

Good, But Not Exactly Great

● Quadrennial years, with the boom they provide for television advertising, have traditionally been sweet ones for local broadcasters, and, depending on whom you talk to, 1988 has or hasn't been the exception. The confusion stems from a variety of factors, including regional variations. Another issue: the Television Bureau of Advertising's 1988 ad-sales projections. Did they unrealistically raise hopes? In the last quadrennial year, TV ad revenues—local, spot and network—rose 18.4 percent. But, tempered by last year's inexplicably modest overall gain of 4.2 percent, the TvB projected only an 11 to 13 percent rise for 1988. Nevertheless, the TvB's projections for gains in local ad sales of 12 to 14 percent in 1988 were not being met early in the year, when they measured only 9.2 percent. Spot advertising on the other hand, which the TvB pegged as rising 10 to 12 percent, topped that figure early on with a 12.8 percent increase.

Jefferson-Pilot executive v.p. Jim Babb maintains those numbers confirm the TvB's projections, but Wall Street is not so taken with them. Eberstadt Fleming's Mark Riely argues that the strength of the network's up-front market last summer gave reason to believe in an even stronger spot market in '88. There's also the issue of soaring Olympic costs: those that the networks pay to air the Games and those they must therefore charge advertisers. "You have to believe," says Riely, "that some of those [Olympic ad] dollars have been siphoned off from other broadcast venues, and that has an impact on the spot market. That doesn't mean it's going to be a bad year. It's just that in these quadrennial years, people expect more," says Riely.

And the picture may soon get even less rosy. "My guess is that later '88 and 1989 are going to be tough," says Warburg Pincus managing director Beth Dater. The reason: the economy and competition. "Cable has reached critical mass," says Dater, "and I think the value per ad dollar there is probably greater." Adds Riely: "It didn't take a lot of skill to run a profitable TV station in the '70s and '80s. It'll take a lot more in the '90s." PETER AINSLIE

THE CHANNELS ACHIEVERS

Dealmakers

EXPANDING EMPIRES

How five top media executives have become the industry's shrewdest wheeler-dealers.

Steven Rattner, Morgan Stanley & Co.
Four years ago, Steven Rattner was hired by Morgan Stanley & Co. to help fuse its communications group. Today, the newspaper-reporter-turned-investment banker sits at the helm of what Paul Kagan's *Broadcast Banker-Broker* considers the most active combined radio and TV brokerage group, having led Kagan's 1987 rankings with a whopping $495 million transacted in ten deals. Rattner engineers deals such as the $2.85 billion sale of the Storer Cable properties, the purchase of American Cablesystems, the $125 million in financing raised for Comcast and Emmis Broadcasting's purchase of five NBC radio stations for $121.5 million. "We are involved, whether you see us or not, in every important transaction that goes on in media," says a quietly confident Rattner. "Be it Prime Cable or United Cable, we are at least involved, if not the winners."

That strategy keeps Rattner and his staff of 14 at the top of the charts. "In order to be effective, you have to understand the deals—you have to be able to go to the next guy and know the precedents of what's been happening in the last few transactions." Large or small, Rattner wants a hand in those transactions, though the 35-year-old managing director looks more toward the small to mid-range deals to keep Morgan Stanley's fees rolling in. "The number of billion-dollar, CBS-type deals in the industry is pretty small, and that's not how we make a living," Rattner says, sitting in his apartment in Manhattan's exclusive Dakota. "The $100 million to $500 million deals are what make the other ones happen," he adds.

One such "small" deal involved Star Cablevision. Before Star joined Morgan's client list, it was a tiny Wisconsin cable operator; now it's achieved a spot in the top 50—due in large part to Rattner's expertise in raising financing and advising the company on systems to buy. "When we first met them, we had 48,000 subscribers, and today we have 250,000. He did a great job," says Michael Fredericks, senior v.p. of corporate finance for Star.

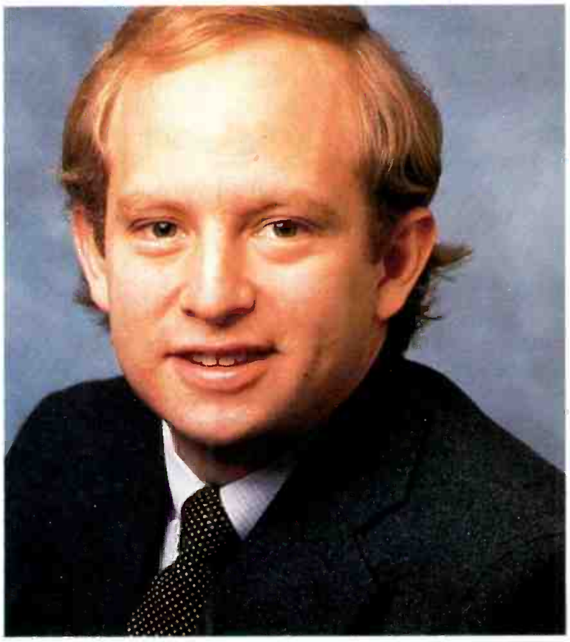
Others share Fredericks' regard for Rattner: "I've worked with Rattner both on the same side of the table and across the table from him," says E. Thayer Bigelow, president of the nation's second largest cable company, ATC. "He deserves a lot of credit for what Morgan Stanley's accomplished."

Julian Brodsky, Comcast's CFO, thinks Rattner's uncommon background (Rattner wrote for the *New York Times* for eight years before getting into investment banking) has something to do with his ability: "He has a different perspective on the industry," Brodsky says. "That works to his—and our—advantage."
MICHAEL BURGI

Jon Dolgen, 20th Century Fox Film Corp./ Fox Inc.
The word most often used to describe Jon Dolgen—by those who will talk—is "tough." A joke making the rounds is that, in Barry Diller, he got the boss he deserves. "I'm not a pussycat," Dolgen avers.

As president of 20th Century Fox Film Corp.'s Television Division, he oversees all program production, syndication, home video and pay-TV operations. But as e.v.p. of Fox Inc., Dolgen also gets into film financing and business development—enough to keep two secretaries busy.

And he does some troubleshooting. The word is that when a deal stalls or there's a complaint, Diller sends in Dolgen. The problem quickly disappears. But Dolgen disputes any notion of management intimidation. He says he tries to build in subordinates a sense of pride and personal investment in projects. "It's



Morgan Stanley's Steven Rattner: 'You have to understand the deals, and know the precedents of the last transactions.'

Fox's Jon Dolgen: 'The toughest deal you do is always the one you're doing, because everything else is history.'

not just that I might be willing to stay all night to get something done," he says. "It's a sense that the people who work for me, and with me, will, too."

In the end, though, Dolgen may be best known for his negotiating prowess. He likes to enter a bargaining room with stacks of cigarette packs, chewing gum, an ample supply of coffee and comfortable clothes. "If it takes staying three days," he says, "it'll take three days." Then, reportedly, the former Wall Street lawyer immediately finds something to yell about. But in the end, Dolgen confesses, "There's a sense of theater about some of that, too."

In fact, he can be personable when it suits him, and, some say, very funny. He collects humorous *New York Times* headlines, professing admiration for the way professionals, locked into rigid formats, find ways to express themselves. Perhaps it is Dolgen's paeans to "conceptual creativity" that have fueled rumors of his frustration with the business side of Hollywood and fed the talk that he'd like to leave Fox and move into the creative side. Still, he flatly refuses to discuss—or deny—reports that he would have returned to Columbia to work for Victor Kaufman, who gave Dolgen his start in Hollywood, if Barry Diller hadn't refused to let Dolgen out of his contract at Fox.

While at Columbia, Dolgen is said to have been instrumental in creating Tri-Star, then a joint venture with CBS and Time Inc., to feed more films into the Coke distribution machine. But Dolgen says he prefers not to dwell on past accomplishments and disappointments. "The toughest deal you do is always the one you're doing," he says, "because everything else is history."

NEAL KOCH

Douglas McCorkindale, Gannett

Doug McCorkindale lives to cut deals. Gannett's vice chairman and chief financial and administrative officer is constantly on the prowl, ferreting out properties to add to his company's burgeoning media empire. "I see about every deal that's out there," he says. "[A prospectus] comes in and in the first three paragraphs I know if it's right for us."

If the property looks good, McCorkindale prefers the quick strike. Agree on a price, shake hands on it and the deal is done—that's the McCorkindale style. "We started negotiating with Grant Tinker literally 15 minutes after he left NBC," he says, adding there's no time to wait when a hot property is up for grabs.

What makes the quick strike possible, McCorkindale explains, is doing the homework beforehand. Gannett usually knows the companies it wants inside and out before they are even on the block. Flexibility is also key. "You can't let some corporate guidelines get in the way of an acquisition," he says. "More often than not you can make a deal, because you're responsive to the needs of a seller. There are people's needs that you have to meet even though they won't fit into somebody's corporate guidelines."

In consort with Gannett's chairman Al Neuharth and CEO Jack Curley, McCorkindale has kept the company in a rapid expansion mode. Since being named CFO in 1977, McCorkindale has been involved in the acquisition of ten TV stations, 16 radio stations and 40 newspapers. He also was a hands-on player in the deal that brought Tinker to Gannett.

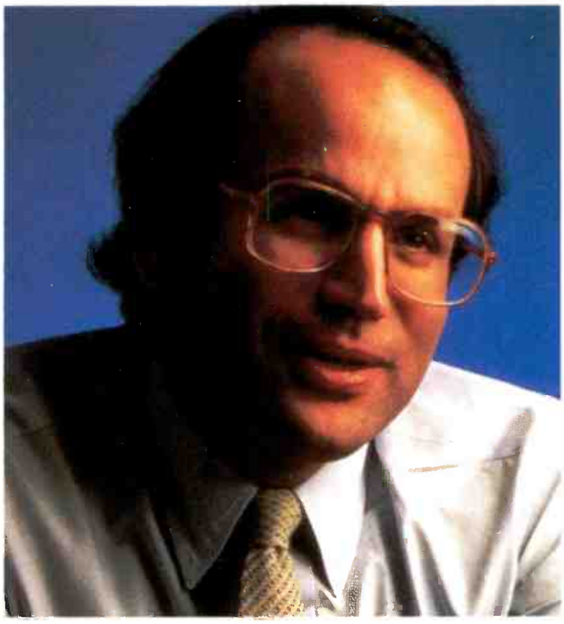
Most recently, McCorkindale engineered Gannett's acquisition of WFMY-TV, Greensboro, N.C., and WTLV-TV, Jacksonville, Fla., from Harte-Hankes Communications for $155 million. "McCorkindale has been the *key* player in Gannett's acquisition strategy in the 1980s—without him the company would not have had the kind of growth it's enjoyed," says Kevin Gruneich, director, equity research of First Boston. "If I was looking for someone to run a major media company, he'd be the first call. In fact, he was on a very short list to run CBS, before Larry Tisch decided he wanted to do it himself."

It's not the first time McCorkindale has been on the short list and missed out. Last year he was passed over to head Gannett when Neuharth selected John Curley as his successor. In *The Making of McPaper: The Inside Story of USA Today*, McCorkindale is cast as a villain, attempting to nickle and dime Neuharth's pet project to death. Insiders speculate that his *USA Today* opposition may have cost him the company's top position.

Understandably, McCorkindale displays no remorse about not getting the nod from Neuharth and claims to still love his job. Gannett is in a growth mode and the action keeps him pumped up. "I guess I'm a Type A," he says. "It's great getting pulled from one transaction to another."

J. MAX ROBINS

Douglas McCorkindale of Gannett: '[A prospectus] comes in and in the first three paragraphs I know if it's right for us.'



HBO's Michael Fuchs: 'The new frontier of deal-making is opening up new businesses, buying new channels.'

Victor Kaufman, Columbia Pictures Entertainment

Some of the best dealmakers, like the best poker players, approach their games without expression—saying little and keeping the opponent wondering what's going on. That appears to be Victor Kaufman's style.

The president and CEO of Columbia Pictures Entertainment wouldn't talk about himself or his new post. Neither would a number of his business associates, some of whom insisted on checking with Kaufman before being interviewed.

If Kaufman weren't so "sure of his vision for the industry," or "combative, as all of us who do deals are," as former president of Coca-Cola's entertainment business sector Fay Vincent says, his reticence could be interpreted as insecurity. After all, Kaufman, who masterminded the CBS, HBO and Columbia joint venture to form Tri-Star Pictures in 1982, has been in the limelight lately. He was center stage with others there during the waning days of David Puttnam. And since Kaufman's most recent deal—which merged Tri-Star with Coke's entertainment businesses to form CPE—he's been scrutinized by skeptical Hollywood counterparts and the press about his ability to pull off a coup of this magnitude.

But the very skills that allowed Kaufman to assemble such a deal should aid him in his transition to studio mogul. "He's different than most," says Vincent. "He's smarter." Kaufman, an attorney, is also different in that he tends to keep to himself, making his home in Long Island, away from the Hollywood glitter. His strongest suit, says friend Jon Dolgen, who worked for him at Columbia, is surrounding himself with good people. Adds Vincent, "He delegates well, but he's compulsive about knowing the details. He's a tough negotiator with a clear idea of what he wants. If he doesn't get it, he won't play."

With the future of Columbia on his shoulders, Kaufman's got plenty more deals to hammer out, especially those that will determine the kinds of movies brought to market. That has many observers concerned. "He's proven himself as a dealmaker," says Shearson Lehman analyst Alan Kassan, "but he's unproven in whether he can manage the creative part. Based on his record at Tri-Star, that's an open question."

CECILIA CAPUZZI

Michael Fuchs, Home Box Office

Michael Fuchs, HBO's chairman and CEO, was once feared and vilified by Hollywood's power structure because of his tough, arrogant deal-making style. Now he's looking for new worlds to conquer and, in the process, he wants to redefine what it means to make a deal.

"The new frontier of deal-making," he said recently, "is opening up new businesses, buying new channels. HBO's come through some slow years, but we're back on our feet now, looking for our second wind." It's no secret Fuchs had been eyeing CNN and WTBS for some time, and HBO has also bought into Movietime, along with six MSOs and Warner Communications.

Fuchs calls the Movietime investment the most interesting deal he has done in the past year, not because of its size but because, for the first time, HBO actually negotiated its way into a joint programming venture with some of its biggest customers as partners. In the process, HBO beat out NBC. Admits Fuchs, "The early part was convincing everyone that HBO brought more to the deal than NBC could."

Fuchs says he doesn't often get involved in the nitty gritty of negotiations anymore. Edward Bleier, Warner Bros. pay television president, who has dealt with Fuchs since the early days, confirms that. Bleier says Fuchs now has "a large cadre of professional negotiators—hundreds of shark troops that can nibble you to death in negotiations." At 42, Fuchs likes to think that he has outgrown his earlier arrogance. "I was young. We were young. I think HBO is much more mature today, and I would include myself in that."

HBO has emerged from the difficult years during which subscriber growth declined. "We're back up on our feet and need to recreate some of those glory days again," says Fuchs. "We're looking for our second wind." After years of denigrating the worth of movie exclusivity, Fuchs signed an exclusive with Paramount last year, simply because HBO couldn't sit still and let all those movies escape to Showtime. But Fuchs insists he still doesn't value exclusivity and doesn't want to be mired in talk about its pros and cons. Basically, he says, he doesn't care about competition with Showtime. "Our competition is the networks, and they are sinking, slowly eroding. *That's* the franchise we gotta figure out how to take over."

KIRSTEN BECK

Victor Kaufman of Columbia Pictures Entertainment: 'He's a tough negotiator. If he doesn't get what he wants, he won't play.'

POWER IN THE SHADOWS

Beyond the neon of Hollywood's production factory, there's a cadre of sharp business types with a mission: Make TV's tough economics work.

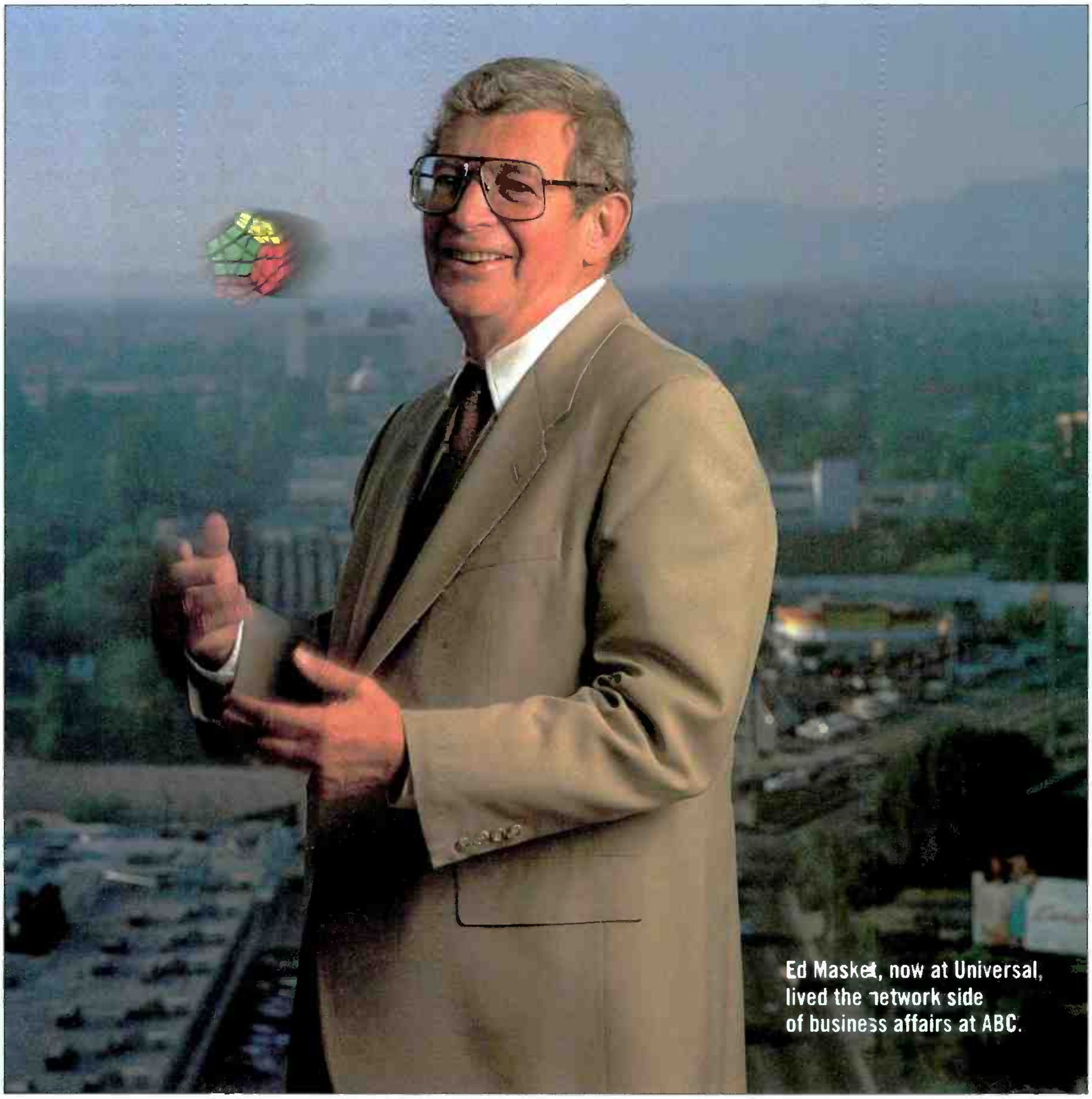
by Neal Koch

Like beams supporting the false fronts of its back-lot streets, behind the magic and mystique of Hollywood lurk powerful men and women who yearn to stay in the shadows. Even as their power grows, their job is to shun the spotlight; the dullness of their titles brings smiles to the faces of television chieftains. They are the business-affairs officials of Hollywood studios, the broadcast networks and production companies large and small.

At bottom they negotiate, document and administer virtually every deal done in television-entertainment production. But at the top of the industry their influence continues to grow as Hollywood seeks new ways of doing business in a world of changing economics. The industry's struggle against steadily escalating costs rages across their desks, bringing programmers and chief executives increasingly to their offices in search of ever more creative ways of cutting deals and restructuring the finances of the nation's most influential entertainment machine.

Despite their power, business-affairs officials strive to stay out of sight of the general public (and even much of Hollywood itself), largely to maintain the marketable value of illusion apart from the mundane and taxing concerns of making a buck. "This is all make-believe, this is fantasy land," explains Mel Blumenthal, a partner and senior executive vice president of MTM Enterprises Inc., who oversees his company's business-affairs office. "[The industry] doesn't want the public to see it as a business. If you start talking about the business of the business, it takes away from the magic, from the glamour and mystique. And if you take that away, it's just like the automobile business. They've always tried to keep this separate and special in people's minds."

Indeed, the work of business-affairs officials can sound misleadingly mundane. They do deals. Those working for the networks dicker with their studio counterparts over the price of shows. Those at studios also cut deals with agents and attorneys for talent, shooting locations and production facilities. Many are attorneys; often the legal-affairs operation reports to them. Studios generally have parallel business-affairs departments for television and feature films, but specific arrangements vary greatly. At the broadcast networks, the sports and news



Ed Masket, now at Universal, lived the network side of business affairs at ABC.

PHOTOGRAPHS BY AMY ETRA

divisions have their own business-affairs departments, while the parent companies maintain their own legal departments to advise on corporate matters.

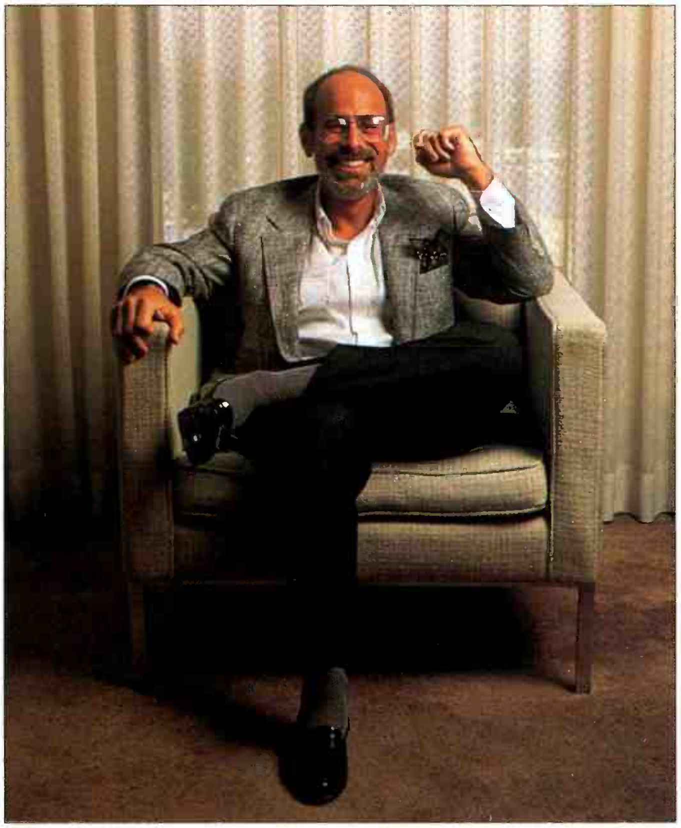
Regardless of the infrastructures, the power of business-affairs executives is clearly on the rise, as is the amount of attention paid to the departments by higher-ups. At number one network NBC, the entertainment business-affairs department oversees program spending of over $1 billion—virtually a third of the network's revenues. Consider the growing sophistication and complexity of industry deals, and it's easy to understand why Brandon Tartikoff, president of NBC Entertainment, says of business affairs, "They've had to be on the cutting edge. We're in a new age. You can easily go broke being number one if you do it the wrong way."

Crucial to NBC's success at being number one the right way is John Agoglia, a Brooklyn College dropout who is now executive vice president of business affairs for NBC-TV and executive vice president of NBC Productions. He is widely regarded as both Tartikoff's partner in charting the network's course and as one of Hollywood's most powerful executives. "John Agoglia, working with Brandon, played a very large part in the restoration of NBC," says Grant Tinker, who as chairman between July 1981 and December 1986 directed the network's rise from last to first place.

"I was one of those hidden people for a number of years," Agoglia testifies from a swivel chair in the suite he shares with Tartikoff at NBC's West Coast headquarters in Burbank. But, he says, "if you believe in what you're doing, you have to stand up and be counted. You know, it's not like robbing hubcaps."

With revenues stalled and viewers eroding, 'It's serious now,' says Masket. 'The network business-affairs guys are stronger than they've ever been.'

But there *are* those in Hollywood who consider what business-affairs people do nearly criminal—who regard them more as dealbreakers than dealmakers. "Most of our power is to say no [to a project], or to get someone else to say no," says one



Mel Blumenthal, senior exec. v.p. of MTM.

M aintaining the marketable value of illusion: 'This is fantasy land,' says Blumenthal. 'If you start talking about the business of the business, it takes away from the magic, the glamour and mystique.'

top studio negotiator. "It's not a very constructive power."

Many a producer sees the business-affairs exec as the one with the power to make or break his pet project. "Every deal is looked at as an opportunity to hit a grand-slam home run, which is very different from other industries," explains Agoglia. "You're dealing with the Golden Ring, you're dealing with, This is going to be the biggest thing in history and I'm going to be a megamillionaire—and that guy with the striped suit and the tie is keeping me from getting there. Can you get the sense of emotion involved? I have my secretary start my car every day," he says, half-jokingly.

Business-affairs commandos are wary of setting themselves up as high-profile targets in an industry where it's their job to take the blame when deals sour, and protect the creative executives who must lure talent back for the next dance. They are reluctant to talk about their roles and their work; some posed for photos, others steadfastly refused.

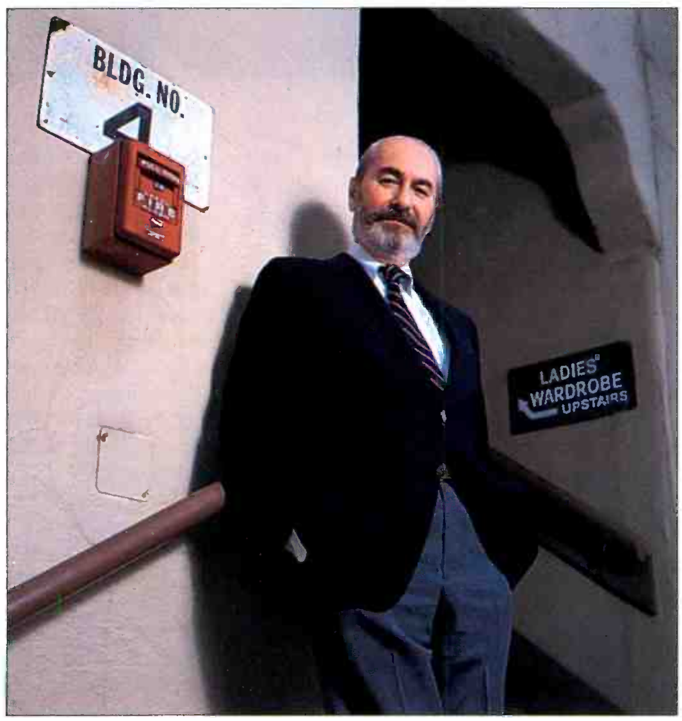
"As a breed, they're gun-shy," says Michael Binkow, v.p./corporate communications of Fox Inc., whose business-affairs officials declined to talk. "They're on the firing line. A network [programming] guy will make a deal at Spago—'Luv ya, *ciao!*'—then the business-affairs guy has to iron it out. Sometimes they're used as foils." It works similarly on the studio side of the deal. As a result, says Richard Katz, vice president and head of business affairs for GTG Entertainment, "there are a lot of people who don't like us, even though they don't know us. So there's a certain comfort in anonymity."

Many business-affairs officials say they religiously seek the shadows in the belief that the spotlight belongs to Hollywood's "creative" executives—those whose primary job it is to develop and schedule programming. "Less visibility [for us] is more support to them," says Ron Sunderland, senior vice president for business affairs and contracts at ABC. Others put it more bluntly: "It's a good cop/bad cop thing," says Tinker, now president of GTG. "If everybody's in the room, it's hard for the business-affairs guy to be difficult later."

Some prefer to cloak their actions in more romantic garb. "You're courting," says Cecelia Andrews, senior vice president of business affairs for network television at Paramount Pictures Corp. "So you tell the girl she's got beautiful golden hair, even though it may not be her own. Then," she says, "you get down to figuring out the dowery.

"An agent will tell me, 'When your creative guy met with my client, he told him he was the greatest writer he ever read.' I will say, 'Yes, but that doesn't mean he's going to get three times as much as anyone else.' The creative people may take an actress to lunch if they want her in a project. I may take her lawyer. They woo her, I just make sure I don't ruffle her feathers so that the wooing doesn't go away. The creative people are to be in the spotlight," says Andrews, who declined to be photographed.

But others see it differently, suggesting that the extent to which business-affairs officials take the potshots may actually be a measure of their power. They stay out of sight, says Jerry Katzman, senior v.p./worldwide television for the William Morris Agency, because "the creative people don't want to appear to be out of control, even though sometimes they are. Today, the financial control dominates. It's a bottom-line business." That may be particularly true with all three networks now under more cost-conscious ownership. Since Capital Cities' takeover of ABC, for instance, Los Angeles-based business-affairs head Ron Sunderland no longer reports to programming chief Brandon Stoddard, but is

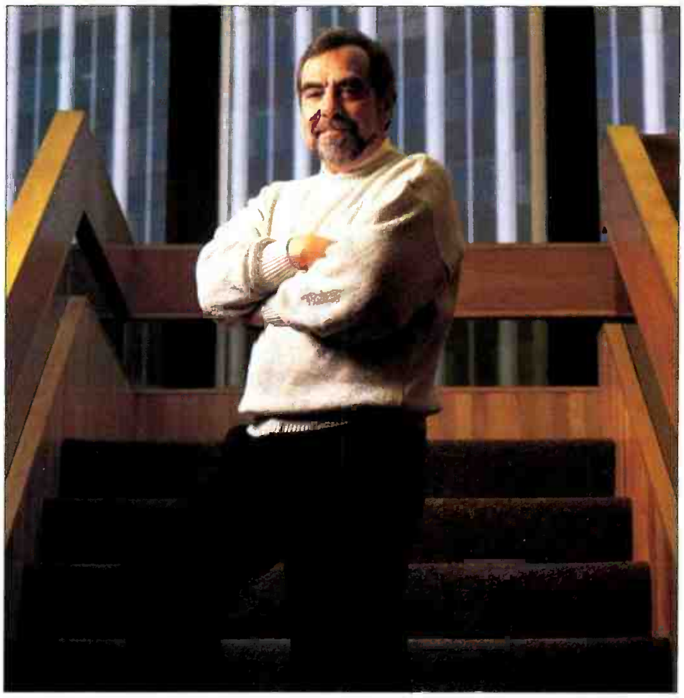


Art Stolnitz, Warner Bros. TV senior v.p.

responsible to network president John Sias through newly appointed executive vice president Roger Werner in New York.

To be sure, network programming heads may have held the upper hand in the past, especially in the late 1970s and early 1980s, when steadily rising inflation redeemed a multitude of spendthrift sins. Then programmers frequently overrode business-affairs decisions because the networks could easily command double-digit increases in ad rates to cover their mistakes. But by 1986 the annual inflation rate bottomed out, at 1.9 percent, and the network television business matured. Viewership began to erode, leading to a drop in network advertising revenue of 2 percent in 1987, to $8.4 billion, according to the Television Bureau of Advertising. "It's serious now," says Ed Masket, exec. v.p./administration for Universal Television and head of ABC's business affairs a quarter-century ago. "The business-affairs guys are stronger at the networks than they've ever been."

They've also grown in power and punch at the Hollywood studios. Formerly, studios faced comparatively little risk in making shows for television. The networks picked up virtually all their production costs. A decade ago, producers often broke even on half-hour shows, say industry insiders, while getting stuck for about 10 percent of costs on hour shows. But that gap has widened. Now there are half-hour shows running $150,000 deficits per episode, while some shows with frightening deficit projections go unmade altogether. And while network license fees are up only slightly at best for the 1988-89 season compared with two years ago, production costs continue to climb, with one major studio projecting a 6 percent increase in expenses for its new shows. In such a climate, who could help but listen more closely to the financial specialists?


Ron Sunderland, ABC's business affairs v.p.

The stock of high-powered studio negotiators has also risen as deals with writers, directors, actors, crews, lenders, investors and coproduction partners have grown in complexity and sophistication, demanding more breadth, depth and creativity among dealmakers. For instance, in the 1950s, recalls Art Stolnitz, then a literary agent, "Warner Brothers had a contract that basically said, 'We own everything. You own nothing.' There was one deal—scale, take it or leave it. Today," says Stolnitz, now Warner Bros. TV senior v.p./business affairs, "there are reversionary rights, limitations on subsidiary rights, bonuses, royalties, net profits, adjusted profits, modified gross profits." Not to mention guarantees, cash flow, advances, the discounted value of present money and approvals on final product.

The days of *Ozzie & Harriet*, when making a show could truly be a family affair, are past in another way as well: Now studios must increasingly bargain—often with shrewd and powerful packaging agents—for ensemble casts, ensembles of

Standing at the Network Gate

With just three major buyers in network television, their opponents across the bargaining table hesitate to criticize them publicly. But through not-for-attribution discussions with an array of studio negotiators and Hollywood agents, portraits of the entertainment business affairs departments of ABC, CBS and NBC clearly emerge.

CBS/Bill Klein, v.p., business affairs

CBS entertainment business affairs hasn't won any friends in Hollywood through its allegedly arrogant corporate attitude, and its policy of refusing to consider projected studio budgets for shows when computing license fees. That said, Bill Klein is generally well liked. Klein was routinely given high marks for being tough but reasonable, a "very nice guy" who gives reasons when he says no to a deal.

The department as a whole, however, is kept on a short leash, with less lattitude in cutting deals compared with the other networks' operations. Klein is the only network business-affairs head to still report to a programming chief.

ABC/Ron Sunderland, senior v.p., business affairs and contracts

Sunderland, too, gets generally high marks, especially for his willingness to look at studio budgets and for working hard to avoid appearing "arbitrary" in turning down projects in development. "He struggles with that. The guys at CBS make an effort not to be arbitrary, but their power is more limited." "He knows his stuff inside out" and delegates more authority to his subordinates than his counterparts. Despite its recent ground-breaking deal with Steven Bochco, the department is still thought to act somewhat by rote when doing deals.

NBC/John Agoglia, exec. v.p. for business affairs NBC-TV and exec. v.p. NBC Productions

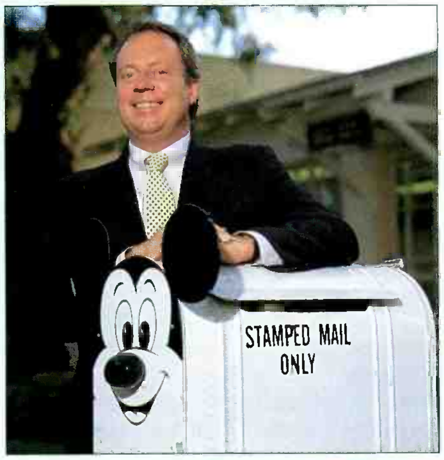
Agoglia is widely respected as the most powerful and creative of the three, and the toughest. "He's no walk in the park," says one studio exec. A measure of his effectiveness in the marketplace—and his success at promoting himself—is the widely held perception that he reports directly to Bob Wright, NBC's president and CEO, even though he actually deals with exec. v.p. Ray Timothy. He does have more power to cut deals than his counterparts, but also delegates the least authority of the three. "At NBC, John is a closer. No one else is."

Agoglia works in tandem with programming chief Brandon Tartikoff. "John would like Brandon's job," says one agent, "and thinks he has it" when Tartikoff leaves. *N.K.*

Don't Talk To Me, I'm Dealing

In a town where gossip may be the second most valuable currency and the number one pastime, how much information gets traded among those who know the deals from the inside out—the network and studio negotiators who dicker for talent and shows?

To hear business-affairs people tell it, not much. NBC's John Agoglia says he communicates with former CBS colleague Bill Klein, now head of that network's business-affairs department—but only with a wave of the hand across a crowded room, lest someone cry "antitrust." For that reason, some business-affairs officials say, they have no specific professional organization, although they do tend to meet at industry luncheons, university seminars and trade-group gatherings for attorneys. At such places, says one studio official, referring to Agoglia, Klein and ABC's Ron Sunderland, "I've caught them all in the same room, talking to each other at once, saying they're not fixing prices."



Disney's Kerstetter: Married to the competition.

For some, swapping information is a particularly thorny question. Disney's Bill Kerstetter and Columbia's Valerie Cavanaugh—heads of their respective company's television business-affairs departments—are married. So, as lawyers who fully understand their obligations, what do they talk about at home? "The cats," Kerstetter says. "The lawn. We avoid even the appearance of impropriety." Columbia ordered Cavanaugh not to discuss her marriage, or anything else, for this article.

The networks might also have reason to be concerned. The path of advancement in this sector of the industry seems to lead one way—out of their business-affairs departments and into better paying jobs across the bargaining table, at studios and production companies. Consider, for instance, a partial alumni roster of ABC's business-affairs department: Ed Masket, now overseeing MCA's business affairs; Barry Meyer and Art Stolnitz, who do the same at Warner Bros.; Dick Reisberg, president of Reeves Entertainment; and Ed Gradinger, president and CEO of New World Television.

CBS, for one, downplays this migration, and vehemently denies any formal information sharing by the networks. But to hear others tell it, it's just the opposite. "Even though they won't admit it, the networks talk to each other, as do the studios," insists Jerry Katzman, head of the William Morris Agency's TV department. "Each knows what the other's paying" for shows and talent. And, while the networks deny it, Katzman claims they share a computerized data base of past fees paid to studios and talent.

Sure they do, agrees Ruth Engelhardt, a William Morris v.p. who's been in television business affairs for nearly 40 years. "Any good studio knows what the others are paying," she says, adding that it's nothing new. "They used to share it by telephone," she recalls. "Computers just make it easier."

The bottom line, she chuckles, is that, "In this town, there are no secrets." *N.K.*

Where Were They Then?

EXECUTIVE	CURRENT POSITION	HIGHEST BUSINESS-AFFAIRS POSITION
Robert Daly	Chairman/CEO, Warner Bros. Inc.	VP/business affairs-N.Y., CBS TV
Jonathan Dolgen	President/TV Division, 20th Cent. Fox Film Corp.	SVP/worldwide business affairs, Columbia Pictures
Jerry Gottlieb	Chairman/CEO, Lorimar Home Video	SVP/bus. and legal affairs, Lorimar Telepic. Corp.
Ed Gradinger	President/CEO, New World TV Group	SVP/business affairs, Columbia Pictures TV
Helene Hahn	EVP/Walt Disney Studios	SVP/bus. and legal affairs, Walt Disney Pictures
Dayna Kalins	EVP/Creative Affairs, TV division/TV Prod., 20th Cent. Fox Film Corp.	SVP/business affairs, 20th Cent. Fox TV
Ronald Lightstone	EVP/Aaron Spelling Prod.	VP/business affairs, Viacom Entertainment Group
Edward Masket	EVP/Universal TV	VP/business affairs, ABC
Arnold Messer	EVP/Columbia Pictures Entertainment	Senior EVP/motion pic. bus. affairs, Tri-Star Pictures Inc.
Barry Meyer	EVP/Warner Bros. Inc.	EVP/business affairs, Warner Bros. TV
Richard Reisberg	President/COO, Reeves Ent. Group	VP/business affairs, Viacom
Sid Sheinberg	President/COO, MCA Inc.	Attorney, business affairs, Revue Prod. (MCA subsidiary)
Frank Wells	President/COO, Walt Disney Co.	Head of business affairs, Warner Bros. Features
Tom Wertheimer	EVP/MCA Inc.	VP/business affairs, Universal TV
Richard Zimbert	EVP/special asst. to the chairman, Office of the chairman, Paramount Pic. Corp.	SVP/business affairs, Motion Pic. Group, Paramount Pic. Corp.

Research: Rhoda Fukushima

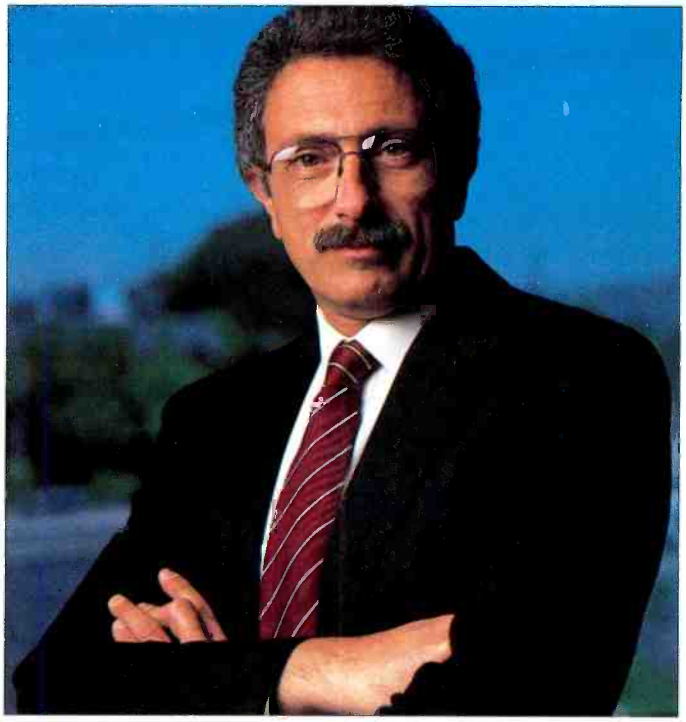
writers, coproducers and co-executive producers. "The sophistication of the talent agents," says Mel Harris, president of Paramount Pictures Corp. Television Group, "makes the representation process a high-finance kind of atmosphere."

The studios operate with a sense of financial peril, fearing a misstep, but their own vision of the industry is partly to blame. Despite the changing electronic landscape—the advent of the Fox network and cable's growing hunger for first-run programs—the studios still see just three main television customers for their shows. Cable is far from having the budgets to match broadcast-network license fees, studio execs say, and Fox has relatively few time slots to fill. More to the point, neither outlet can produce the widespread name recognition that a show needs for success—and big profits—in syndication. Yet creating a one-hour network pilot can cost $2 million (including a deficit of up to $300,000), and if the first network rejects the show, the other two are unlikely to pick it up. That leaves the studio with what may be a timely show but no place to air it. "We're frequently in a position where we have to close a deal with the buyer before the heat goes out of the project," says Bill Kerstetter, executive vice president at Walt Disney Studios, overseeing business and legal affairs among other things. "If we can't reach an acceptable arrangement with them, we're out of luck."

So the clouds of cost control hang ominously over the desk of the business-affairs executive. Having gone from almost complete obscurity to vital importance within the industry in just a few years, they've probably never been more valued, nor more disliked. "I wouldn't want to have their job," Ted Harbert, vice president of prime time programming for ABC, says flatly. "There's so much drama."

But some of the drama of network business affairs comes from the programming department itself. One of the hardest parts of being the tough guy, complain business-affairs officials, is getting undermined by your own creative executives. "As soon as we say [to the studio], 'We have to have that show,' " admits Harbert, "the studio's got us by the shorts." But in gossipy Hollywood such a scenario is played out all too often, say the negotiators. "I don't mind if [the programming department] tells me, 'This'll be the show that makes us at 8 o'clock,' " says ABC's Sunderland. "It's when they tell the producers" that his job gets tougher. And that, he snaps, happens "quite a bit."

Studio negotiators claim they suffer similar slings. First, they fight leaks from the networks. Once, recalls Paramount's Andrews, "A network said, 'We'll only order this project if you have this actor,' and the network told his agent. Do you think that agent said, 'We'll do it for $1.99?' " How often does that happen? "Enough." Second, studio negotiators fight leaks from their own lots. Paramount severely abbreviated its internal routing list of estimated above-the-line budgets some four years ago. Studio dealmakers had grown weary of assuming hard-and-fast bargaining positions in telephone negotiations with talent agents, only to hear their budget lines read back to them over the phone.



NBC's business-affairs e.v.p. John Agoglia.

Studio execs are learning, however, that hammering out favorable deals isn't the only recourse against rising deficits. Some have tried band-aid approaches. Universal, for example, labored under such heavy deficits with *Miami Vice* that it faced the prospect of filming large parts of the second season of the show in Los Angeles—if at all. Its business-affairs office struck an unusual deal with NBC to help pay for location production. NBC allowed the two-hour season opener, called "Prodigal Son," to be released on videocassette the summer after it first appeared over the airwaves. Usually, such releases must await the end of a show's network run. NBC also bent the rules to get Jay Tarses' *The Days and Nights of Molly Dodd* on the air. Normally, a network withholds two-thirds of a filmed show's license fee until completion of principal photography and delivery. But that would have left Tarses unable to pay his bills because he works on several episodes at once. So NBC set up a new payment schedule.

In the more creative sphere are NBC's *Sonny Spoon* deal with Stephen J. Cannell, and ABC's development deal with Steven Bochco. With *Sonny Spoon*, NBC owns the series and pays all production costs. Cannell takes a producer's fee and has post-network distribution rights.

The ABC deal has Bochco producing ten series for the network over ten years; Bochco will receive a minimum of $20 million, even if none of the shows he proposes gets on the air. Bochco will own the shows, but won't directly pay for production deficits—ABC will finance them, requiring reimbursement only for series that stay in production long enough to reach at least 66 episodes. In addition, Fox has agreed to pick up *those* deficit payments as part of a deal with Bochco for worldwide distribution rights to the programs and an agreement to make the shows at Fox's facilities.

Despite the wave of innovative new deals, the problem of shrinking network revenues and rising production costs remains. 'The locomotives are headed down opposite ways on a one-way track,' says NBC's Agoglia.

Despite these innovative deals, the larger problem of rising production deficits and shrinking network revenues remains. "The locomotives are headed down opposite ways on a one-way track," says NBC's Agoglia. The closer they get, the more important the business-affairs people are bound to become, and the more light will be shed on them—not an exciting prospect to these shadow-dwellers.

"I want Grant Tinker on one side, and the actor on the other side, not to see us working," pleads GTG's Katz. "To me, that's when being in business affairs becomes sublime." ●

IN FOCUS

Selling Image

Does one programming strategy a total image make? A look at NBC's sports triumvirate, WPIX's sitcom-jingle commercials and Showtime's marketing makeover provides some answers.

These are hard times for a television network or local station to have an identity crisis. In a sea of commercial clutter, it's a daunting proposition to distinguish what one digit on the dial has that sets it apart from its competition. Yet making that differentiation is essential in today's competitive marketplace.

Marketing an image successfully is a two-step dance. The first move is to identify what it is that makes viewers halt their video roulette at a given channel number. One doesn't have to be the Sigmund Freud of marketing to know that only after answering the "who am I" question can a network or station put a face forward that will mean something to the public.

The next step is where the fun begins. Once the identity crisis is solved in-house, it's time to put the new face in front of the audience. That's what our In Focus section is about—how a network or a station takes a programming stronghold and uses it to market a total image.

In the coming season, NBC knows that sports is very much what the network is about. J. Max Robins shows how the Peacock Network is using its Summer Olympics, World Series and Super Bowl coverage to trumpet its entertainment lineup and catapult its sports division into the limelight. When WPIX in New York purchased syndication rights to *Cheers*, it decided the hit sitcom embodies what the station stands for. Gail Belsky uncovers how WPIX managed to finesse *Cheers* into a full station-image campaign. And when new management took hold of Showtime/The Movie Channel, it decided the identity of the pay service was, big surprise, defined by its exclusive roster of hit movies. Then the real work began. Paul Noglows takes a look behind the scenes at Showtime to discover what it's doing to differentiate itself from the competition.

These three very different programmers are stretching the marketing envelope to put their respective messages across. How successful are they? You decide.

MICHAEL WITTE

NBC's Year to Be a Big Sport

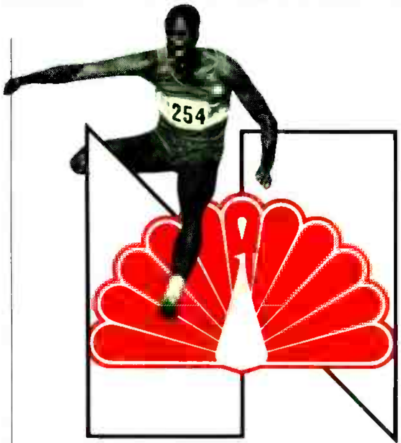
NBC will tout its wares on the Summer Olympics, World Series and Super Bowl. But it may be NBC Sports that gets the biggest boost of all. **BY J. MAX ROBINS**

NBC has paid the kind of Olympian dues that would give a Chicago bluesman pause. Remember 1980? The Peacock Network had the Summer Olympics for the first time since 1964. Its feathers were fluffed up in preparation to play the games for all their promotional worth. And then what happens? The Soviets invade Afghanistan and Jimmy Carter says it's no time for American athletes to be competing in Moscow.

This year could be payback time. Not only does the network have the Summer games, it has the World Series and the Super Bowl as well. Like its news operation, sports is seldom a profit center for a network. And like news, the payoff comes from what strong sports programming does for a network's image, how it bolsters affiliate relations and how it can be used to promote other programming.

ABC has traditionally been the master of milking sports coverage. NBC Sports, in contrast, has always seemed low key. Indeed, the executive producer of NBC Sports, Michael Weisman, recently acknowledged ABC Sports' expertise when he said, "We'd be pleased to duplicate ABC's past [Olympic] performance."

A lot of noise is being made at NBC about how with a mega-sport triumvirate, the network has the opportunity to shore up its sports image and meanwhile boost the whole network, à la ABC. "When you have the Summer Olympics, World Series and Super Bowl, you have some bragging rights," says NBC's vice president of advertising and promotion, John Miller. Bragging rights abound at NBC these days with the network entrenched in first place, so Miller and company have taken the hit programs responsible for the network's standing and married them to its major sporting events in what Miller calls a "bragging rights campaign."



'Our promos will have to stand out from advertisers who spend hundreds of thousands of dollars on 30-second spots.'

The in-house generated spots, featuring snippets of shows and events, have the tagline "Only on NBC." Additional spots featuring just the sports events use the same tagline, but precede it with, "The Championship Season."

The centerpiece to NBC's modestly designated Championship Season is the Summer Olympics. At no time will NBC be touting its entertainment lineup with more gusto than during the summer Games. "NBC has a great opportunity to merchandise its programming," says Richard Kostyra, executive vice president/director of media services for J. Walter Thompson. "Played correctly, NBC has the opportunity to numb the other networks."

"It puts us in a tough position," admits CBS director of national television research Michael Eisenberg. "We went through it with ABC last year, where they had the World Series, Super Bowl and the Winter Olympics."

Not only are these the first Summer Olympics since 1976 to have the American and Russian teams competing, this so-called *summer* event will actually take place in October, when fall weather and shorter days lead viewers to their TV sets. And because of the time difference between Seoul and the U.S., NBC will be able to run 80.5 hours of programming live.

Spots run during the Olympics usually have a more captive audience than those run during prime time. A lot of viewers who watch prime time programming with only one eye watch the Olympics with both. This fact has not been lost on the network. Miller has had an in-house team working up promotional material since last August, so the network will be on the air with its best possible face.

"We are going to use the time in a very sophisticated way," explains Miller. "We'll do promos that not only raise awareness of the shows but combine that with information about them. We're prepared to do three or four flights of spots to promote a given property, and we'll be refreshing the promos every three or four days."

NBC's plans to promote its programming via the Summer Olympics are extensive almost to the extreme. According to Miller, during the 179.5 hours of Olympic programming there will be time allotted for 409 network promo spots, taking up 136 minutes air time. While that's not time the network would otherwise sell to advertisers, at an estimated Games rate of $300,000 a minute the promos would cost $40.8 million to buy. NBC's promos get an extra nudge via placement at the end of commercial pods.

Still, prime placement of its promo spots doesn't guarantee success. Traditionally, advertisers bring out the commercial fireworks for special events—NBC's in-house promos will be going up against the best Madison Avenue has to offer. In all the commercial tumult, there's a risk the network's spots will be diminished, if not lost altogether.

PHOTOGRAPH BY PAUL J. SUTTON / DUOMO

"Believe me, advertisers worry about getting lost in all the clutter during [the Olympics]," says Steve Grubbs, senior v.p. and associate director of network programming for BBDO.

NBC's Miller hopes spots that are chock-a-block with information and entertainment will have a lasting impression on viewers. "The idea for us is not to play it safe with our promotions," says NBC's Miller. "They'll have to stand out from advertisers who spend hundreds of thousand of dollars on 30 second spots."

NBC News will also get a promotional nudge via the Olympics. Bryant Gumbel will anchor the games, and his *Today Show* cohost Jane Pauley will also play a prominent role. The week preceding the games, Tom Brokaw will broadcast the evening news from Seoul. In the case of the Olympics, promotion synergy between news and sports has become a matter of course.

Ultimately, how much gold NBC can expect to reap from its Olympian promotional effort is hard to judge. There are too many unknowns. The Games are being held in a country that has a history of political unrest. Indeed, there is still the possibility of a political conflict between now and the Games that could cause countries to withdraw their athletes. Terrorist groups are threatening to disrupt the Games completely.

'We have this major programming roadblock. By the time it's all over we'll be in the middle of the November sweeps.'

And much of NBC's success will be contingent on how well the American team performs, since, to a certain degree, viewership slides with the fortunes of American athletes. "Bill Cosby doesn't pull a hamstring or tear a rotor cuff and his ratings take a nosedive," says Steve Ulrich, NBC Sports' director of talent and promotion.

"What if the Americans don't get a lot of gold?" adds JWT's Kostyra. "Then the right kind of competitive programming from the other networks has a good chance of neutralizing [the effects of the Olympics]."

NBC hopes its fall lineup will make a big splash, thanks to the Olympics.

NBC's network competition, however, not only has the Olympics to neutralize, it has the World Series to worry about, scheduled right on the heels of the Games. "With the World Series, you pick up the light viewer," says CBS's Eisenberg. "The World Series is one of the handful of events that draws well beyond the normal sports audience." Coming shortly before the November sweeps, the World Series is an ideal setting for the network to tout upcoming special programming.

In light of the writers' strike, which has wrecked havoc on fall production schedules, having the one-two punch of back-to-back major sporting events buys NBC valuable time. To counter the NBC sports juggernaut, the other networks announced they would start their new seasons early, but the writers' strike made that strategy impossible. "It's like we have this major programming roadblock," gloats Miller. "By the time it's all over we'll be in the middle of the November sweeps."

Beyond the network's prime time, NBC's sportscasters will be major beneficiaries of the events on the network. By the time the first ball is thrown out at the World Series, several NBC sportscasters should be enjoying a higher profile. Bob Costas, for instance, will be hosting the late-night, Olympics wrap-up show—a timely complement to his regular late-night show, *Later With Bob Costas*, which premiers in August.

In fact, with the Olympics and World Series dominating the early fall schedule and the Super Bowl leading off 1989, NBC Sports may receive the biggest promotional boost of all. Steve Ulrich plays down what his promotion team has planned. Yes, he allows, certain events that need it will get a promotional nod during major sporting events. For example, spots touting the Breeders Cup will run during the World Series. But viewers will only be wowed by NBC Sports if its coverage shines; simply having the sports isn't enough. "I'm a tune-in person, not an image person. Events like the World Series and Super Bowl sell themselves" says Ulrich. "The perception of NBC Sports will ride on the product we produce." ●

Something to Cheer About?

When New York's WPIX paid big bucks for *Cheers*, it figured the hit sitcom could carry more than its time period—it could lift the whole station. **BY GAIL BELSKY**

Tying a station's image to the fortunes of one show is a dicey move. But last fall, after paying top dollar for *Cheers*, WPIX-TV (Channel 11) in New York decided it was time to gamble. In *Cheers*, the station promotion people reasoned, they had a vehicle with a hidden dividend. And the Tribune-owned station believed that building its identity around the hit sitcom would deliver a big payoff.

In a cooperative effort between Paramount, syndicator of *Cheers*, and Tribune, the station created an image ad campaign around the barroom sitcom. The lyrics to *Cheers*' theme song were rewritten, and some original film was shot with its star, Ted Danson.

In the WPIX-produced spots, original footage is woven around program clips, which comprise 65 percent to 75 percent of the content. Combining the rewritten theme with clips from *Cheers* and other WPIX shows, the campaign highlights all of the station's syndicated programming. In one spot, a man comes home after a hard day's work and his harried wife tosses him their baby. Another spot shows a lonely young woman in her apartment at night. Both of these baby-boom New Yorkers seek comfort and companionship from bartender Ted Danson at the Channel 11 bar.

Such a comprehensive campaign might cost an independent station more than $10,000 in production costs alone, plus that much again for Danson's fee. But the Tribune station had a unique cost advantage. Its creative-services division, which produces TV promotions and movie trailers for other companies, had won the contract to produce generic *Cheers* promos, featuring Danson, for Paramount. At the request of WPIX, Paramount convinced the *Cheers* star to also do tailored footage for the WPIX spots free of charge.

Production costs were further reduced by the other Tribune stations that carry *Cheers*, WGN in Chicago and KTLA in Los Angeles. The two stations produced somewhat less ambitious image spots, including tailored lyrics, but without exclusive Danson footage. Tribune sent one production crew from its own facilities in Atlanta, while WPIX sent another from New York, for special footage for the Chicago and L.A. campaigns. "We encourage promotion, but in this case Tribune was very smart and aggressive," says Paramount Domestic Television executive vice president/sales and marketing, Steve Goldman. "I don't think many stations realize what Tribune has done."

Indeed, Tribune may have found an innovative way to put together a slick promotion package at a bargain-basement price, one which gives a boost not only to *Cheers* but to the Tribune stations that carry it. At WPIX in February, *Cheers* garnered an 11 rating and 18 share in its 7 P.M. time slot, according to A.C. Nielsen. One year earlier, reruns of *The Jeffersons* had pulled a 9 rating and 14 share. *Cheers* has grabbed 44 percent more women 25-54 and 88 percent more men. "It extends the benefits [of high priced programming] beyond one time period," says WPIX vice president/creative services, Paul Bissonette.

Not everybody agrees with Bissonette, however. While some promotion executives hail the *Cheers* campaign as innovative, others claim few programs can serve as the springboard for such broad image advertising. Critics of the concept feel wrapping a station's identity around one show is downright dangerous. "It's only one half hour a day," says KCOP Los Angeles' president and general manager, Bill Frank, echoing the opinion of many of his colleagues. *The Cosby Show* will be on KCOP in the fall, and while Frank plans to promote it, he dismisses a Tribune/*Cheers*-style campaign. "The viewers have other images of us," he explains. "To us, syndicated shows reach a certain level after a month. In December, I don't want to be known only as [the *Cosby* station]."

WPIX's Bissonette bristles at the suggestion that the *Cheers* promotion is ill advised and that he's risked the performance of his station on one show. Still, he admits, it's a strategy that will only work with certain kinds of programs. "There has to be an assumption that you have chosen the right product," he explains. "*Cheers* is the single biggest show of a light, broad-appeal nature. It's one of the few shows with a huge following and a very recognizable sound."

At WGBO in Chicago, promotion manager Fritz Breland concurs. *Cheers* has a unique quality, he says, which allows it to be used as a promotional vehicle. Of the Tribune effort he says, "All promotion directors would love to have the budget and time to do that. If I had a show like that, I'd definitely wrap my station identity around it."

Breland notes, however, that *Cheers* offers a special promotion opportunity; in most cases, using one show as the centerpiece of a station's image campaign makes him uneasy. "One show doesn't

WPIX'S CHEERY JINGLE

Adapted from "Everybody Knows Your Name" (Theme song to *Cheers*)

Roll outta work, forget the jerk
You took it on the chin
Cause it ain't like in the movies
Where heroes always win
And your leading lady didn't show

Sometime you gotta go
Where movie magic's back again
You wanna go where TV shows
Don't all look the same
Eleven's the place and
everybody's glad you came

Cheers star Ted Danson moonlights from his usual bartending gig to serve up good promo at the Channel 11 bar for New York's WPIX.

make a station," says Breland. "You run the risk of overplaying the thing to death. I can't put all my eggs in one basket—I have finite resources. It would do the rest of the station a disservice."

When WGBO launches *Kate & Allie* this fall, Breland will push the show's promotional "utilization" as far as he can. "I hate to use a word like milk," he says. "But when it comes to numbers, promotion people [are not] proud; we'll do anything. If you don't deliver, you're in deep doo-doo."

Syndicators know that stations risking big money for programming are feeling the heat, and need their promotional support. Case in point: Paramount's willingness to facilitate Tribune's *Cheers* promo. And that's just the beginning.

Industry insiders expect major support from Viacom Enterprises to help stations promote *Cosby* next season. The syndicator sent a questionnaire to committed stations asking how they plan to promote the show and what kind of support they need. There's speculation that Bill Cosby himself will participate in the effort.

We'd have to be nuts not to encourage as much promotion as possible," says Viacom's senior vice president/marketing, Dennis Gillespie. But Gillespie hastens to add that Viacom "can't presume" to make judgments on how far stations should go. "Promotion-minded stations have the responsibility to do what is in tune with how they want to be identified," he says. Still, Gillespie expects most of the *Cosby* stations will "focus the lion's share of promotion" on the show next fall.

Columbia Pictures Television has not yet discussed promotions for *Who's the Boss?*, the biggest blockbuster since *Cosby* hit the bidding block. "We try to supply as much material as possible for stations to integrate into their overall look," says Columbia's vice president of marketing, Michael Zucker, who claims that the price per episode does not dictate the amount of promotional support. Since launching *Facts of Life* and *Silver Spoons* in 1986, Columbia has sent out video kits on all its shows to afford stations flexibility in promotion.

Reaching for the ultimate flexibility with *Cheers*, Tribune may be indicating stations are kicking up the innovation quotient in promoting themselves. Whether more stations will risk their identity on a single show, however, remains a question.

"Independents have come a long way in learning to promote like the networks," says Andy Holtzman, LBS Communications' senior vice president/advertising and promotion. He notes of Tribune's *Cheers* promotion, "It's a rather new way of playing with station image. For the first time, it's taking the viewer into consideration. It's a risky move. If *Cheers* ultimately doesn't work in syndication, it will hurt. It's something to talk about now and then see if it was worth the risk." ●

Gail Belsky specializes in writing about media.

Showtime Promises to Try Harder

After many uncertain months, a new team is in place at Showtime. It's got some big promotion plans. But is there enough time?

BY PAUL NOGLOWS

When Showtime/The Movie Channel chairman and CEO Tony Cox talks about his product, hyperbole comes easily. And if he can take a jab at his old boss and prime competitor at the same time, all the better. "Showtime's 1988 movie lineup is light-years better than HBO's," the former HBO Network Group president says just a tad too fervently, leaving the impression he's trying to convince himself of the fact.

But Cox is not naive. He knows the company he leads has been like a car up on blocks. A bitter takeover battle for its parent company, Viacom, left the pay service leaderless for over a year. Showtime subscriptions stalled just under the 6 million mark. Now, with new management in place, Cox must move fast to repair past damage and prepare for the future. His plan is simple and direct: Launch a marketing program that sets Showtime apart from the rest of the pay universe, and make sure it includes a variety of promotional campaigns at the systems level to win both affiliate allegiance and subscribers.

But convincing viewers that there's a difference between pay services, hence giving them a reason to buy one over the other, may prove a difficult task. If Showtime is going to succeed playing Avis to HBO's Hertz, it has to show it tries harder. "The pay channel that doesn't fully differentiate itself will disappear in the next five years," says former president of Viacom Networks Group and president and COO of Aaron Spelling Productions, Jules Haimovitz.

"Most people sense that all pay services are essentially the same," says Showtime's vice president of advertising, Andrew Sereysky. "From a strategic and creative standpoint, what we're trying to do is to communicate the notion of differentiation. Three to five years ago, all pay services had the same movies. But now they really are different. We have top movies that aren't on HBO or any of the Time Inc. services." Plus Showtime offers exclusive programs, such as *Brothers* and *Faerie Tale Theatre*.

Original shows bolster the service, but Showtime believes its real draw is movies. The company's strategy centers around spending heavily for exclusive rights to hit films—such as *Outrageous Fortune, Top Gun, Crocodile Dundee* and *Fatal Attraction*—and then trumpeting them with slogans like "Showtime Has the Hits HBO Misses!"

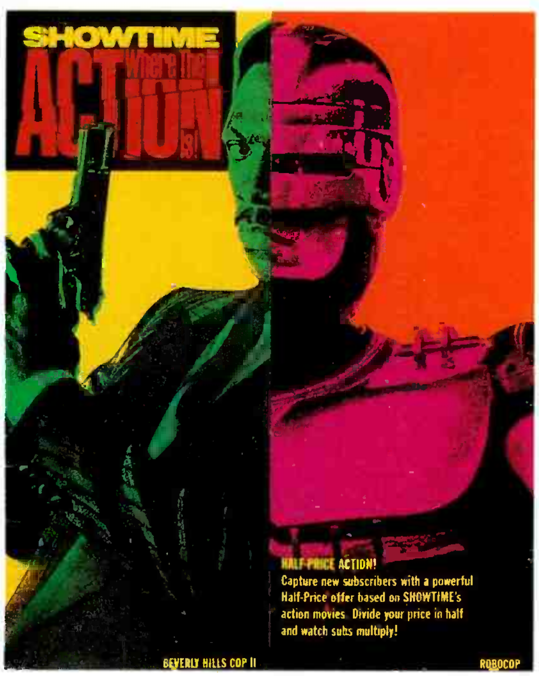
Still, wrestling exclusive rights from the competition carries a high price. Cox says Showtime spends more than 60 percent of gross revenues on product. But he believes you have to pay to play: "We have to give the viewer a reason to buy us. If we're not different from HBO, why not just get HBO?"

In order to get its message out, Showtime has developed a variety of subscriber-acquisition campaigns for its affiliates. Under the old regime, Showtime was often faulted for not supplying cable operators with enough marketing support. The sheer amount of promotional materials now available, in and of itself, heralds a new era. "The image we hope to project is one of real commitment to marketing our products aggressively," says Showtime's executive vice president of marketing, Matt Blank. "Before we had a bit of a management vacuum at this company—there wasn't an environment that made affiliates feel confident about jumping on the bandwagon and investing a lot of money behind marketing Showtime/The Movie Channel." According to the folks at Showtime, there's finally plenty of money to promote the product. Nobody there is saying how much, but sources estimate the service will spend over $12 million to broaden its audience.

"Every extra dollar we're getting is being reinvested into marketing," says Cox. "The old management did a good job of building up the service and acquiring programming strength—it just didn't have much money left to go out and tell the world. Now we do."

One of the key places Showtime is spending money is on transaction marketing. The mechanics are simple. Each time a subscriber or potential subscriber phones the local system, be it to order a service or even to request repairs, the answering customer-service representative gives the Showtime pitch: "Did you know you can now receive Showtime for three months at half the regular price?" or "If you subscribe to Showtime now, you'll receive six months of *Premiere: The Movie Magazine* at half

Robocop and *Beverly Hills Cop*: Arresting to subscribers?



the regular price." It's a borrowed ploy.

"Transaction marketing is our chance to do what grocery stores do at the checkout counter," explains Showtime's vice president of marketing operations, Nora Ryan. "You're waiting in line and there's a bunch of magazines, some gum, some candy; so by the time you finally get out of the checkout counter, you've bought a few extra things. It's an approach that simply pitches Showtime to a customer who's already buying something."

The approach seems to work. In 1987, two major transaction-marketing drives netted over 600,000 new customers. Still, Showtime has a long way to go. Coupled with The Movie Channel, the two services' 8.4 million subscribers accounted for only 25 percent of the pay-television marketplace in 1987—down from 27 percent in 1984 and 26 percent in '85. HBO/Cinemax, approximately 21 million subscribers strong, has 60 percent of the pay-TV pie.

Showtime is confident that transaction marketing can serve as the launching pad for its now numerous promotional campaigns. In July it will launch "Showtime, Where the Action Is!," a half-price subscription-incentive campaign emphasizing Showtime's exclusive action films: *Beverly Hills Cop II*, *Robocop*, *Stakeout* and, later in the year, *The Untouchables*.

An extensive direct-marketing effort is also in the works. It will include homes-passed mailers, upgrade mailers and bill stuffers. "It is these efforts that will step up our spending significantly over prior years," says Ryan, adding that Showtime/The Movie Channel will send out over 20 million pieces of mail in its various campaigns.

In major markets where there is widespread participation in Showtime promotions, some direct-response TV advertising will be used. These efforts will be backed by a national advertising campaign aimed at heightening awareness of the pay service overall. "For the first time in many years we have a sustained media plan—one that will carry us to the end of 1988," says Sereysky.

Showtime's media plan includes spots on USA Network, Turner Broadcasting System, Cable News Network and ESPN, complimented by advertising in *TV Guide* and *Cable Guide*. The company may also do cross-promotions with sister service MTV, which co-promoted Showtime's Michael Jackson special last fall. The pay service will advertise on Viacom's radio and TV stations and in Viacom chairman Sumner Redstone's National Amusements movie theaters: further evidence of a committed parent company.

The message is getting out to the systems operators. "We have a lot of confidence in the new management team," says Storer Cable senior vice president of marketing Doug Wenger. "[Showtime] has brought a sense of stability and commitment that's valued by us at both the corporate and systems level."

Wenger's comments are music to Matt Blank's ears. "We'd like to get the points and mileage that come from being much more flexible [than the competition], from molding promotions so they work best with an affiliate's overall needs," he says. "Affiliates should not be basing their packaging, pricing and promotion strategies on whether or not HBO is going to give them free direct mail. There's a lot of opportunities to market aggressively, and yes the HBO guy will be there. But we'll be there too with a more flexible approach."

At HBO, there's a studied nonchalance toward the new signs of life at Showtime. "We've always battled Showtime and held our own," says HBO's president, Michael Fuchs. "I don't expect that to change."

Showtime has no problem taking a back seat to HBO, as long as there's a backseat to take. "Our success further down the road really is from a multipay environment where we are matched up with somebody else, and it's usually going to be HBO," says Cox.

"We're not out there to take HBO's share of households," adds Blank. "Even if we might like that, it's not necessarily in the operators' interest to switch out of HBO into Showtime. HBO already has the largest number of subscribing households. But that's where the real opportunity lies—with those people who have already made the decision to take pay TV. [That market] is a very fertile one in which to go in and try to sell Showtime." ●

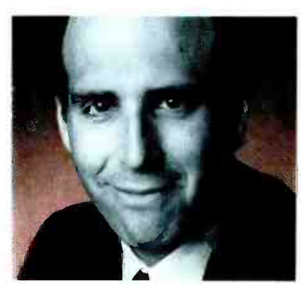
Paul Noglows is the New York reporter for Media Business News.

Another Opening.
Another Showtime.
Starring:

Tony Cox leads the charge against his old boss, HBO.

Nora Ryan believes direct marketing is the way to go.

Andrew Sereysky says Showtime has the goods to fight.



Matt Blank wants affiliates to know Showtime cares.

The Washington Threat

By Phillip Hogue

With Congress starting to clamor for cable re-regulation, will cable system values sag?

A recent *Barron's* cover featured an amusing send-up of the Charles Atlas "skinny kid of the beach" ad, where the scrawny youngster returns—much to the dismay of his former tormentors—as a muscle-bound Adonis. *Barron's* used the scrawny kid to represent cable TV in its early days. And the muscled hero, of course, was cable today.

That newfound brawn seems to be proving a magnetic force for well-heeled investors. They see cable as a smart asset play; a business blessed with declining costs and rising revenues, plus a secure local market berth.

That's how it went, at least, until recently, when Howard Metzenbaum, the respected senator from Ohio, won headlines by wondering if cable hasn't run too fast and too far with the rate-setting freedoms Congress accorded it just four years ago. For some, the remarks might prove worrisome. After all, deregulation has contributed to cable's boom. So if investors, in light of even the possibility of a change in regulation, amend projections, do their conclusions about cable's worth change dramatically? In other words, does the re-regulation specter affect cable system private-market values today?

I suspect the prospects for rate regulation to emerge in the next few years are quite slim. Still, in uncertain economies, just a whisper can alter market psychology. People in our company visit quite a few systems—big, small, new and old. And with apologies to the good senator, we're not convinced that cable rates have ascended such a steep climb. Arthur Andersen & Co.'s study for the National Cable Television Association seems truer—rates have increased moderately since deregulation.

But it's equally true that buyers of cable systems are banking on periodic rate adjustments over the span of ownership. So would the specter of re-regulation, of a cap on rate increases, alter assumptions about values? Most certainly. By a wide degree? Probably not. After all, basic cable service, while an important component of system revenue structure, is just that—Basic. There are many more opportunities afforded by cable's entre into the home.

Phillip Hogue is president of Daniels & Associates, a communications brokerage and investment banking company.

Take Arthur D. Little's landmark 1985 study of the cable industry. Regarded as conservative (some growth assumptions have already been surpassed), it predicts that in 1990 in a suburban cable system, basic monthly revenues will amount to $14 per household. That's less than half the total projected monthly revenue per subscriber. Other contributors—premium channels, remote-control devices, local ad sales, pay-per-view and others—are either "add-ons" at customers' discretion or, like ad sales, are economically transparent; i.e., don't cost the customer. We would regard each as outside the scope of prospective price control. Plainly, additional sources of revenue remain available to smart operators.


Hogue: Rate-regulation prospects are slim.

Little's study, for instance, predicts that by 1990 the combination of premium channels, pay-per-view, ad sales and remote-control rentals will add more than $15.30 per month, per subscriber, to overall revenues of $31.66. It doesn't even mention shared revenues from home-merchandising channels. And the Cabletelevision Advertising Bureau, summarizing data from Paul Kagan Associates Inc., predicts that cable systems will sell more than $1.2 billion in local ad time in 1995, compared with $252 million last year. Believe me—you won't see those kinds of increases coming from basic cable rates.

The point: the greater than 12-times projected cash flow multiples at work in today's system-sales market are based on achieving a revenue-per-subscriber sum that's derived from many sources.

Articles about the boom in system values over the past three years, almost without exception, tie the gains to deregulation. To a degree, that's fair. But squeezed out have been a series of forces—lower interest rates, available capital, more demand than supply of systems, the acceptance of cable as an integral part of consumer media and, of equal importance, the emergence of genuine, new revenue sources.

Washington's rhetorical dust can be intimidating. In truth, we don't expect to see basic prices revert to any form of government control. But for those who would point to all the *sturm und drang* as cause for timidity, we take another point of view. ●

ADVERTISING

1987 Top 10 Cable Net Advertisers

Thousand-percent ad increases? Such is cable's bounty. The ranking is based on advertising on cable networks CBN, CNN, ESPN, MTV, USA and WTBS; 1984 figures do not include MTV and CBN.

COMPANY	1987 AMOUNT (000)	% CHANGE 1986-1987	% CHANGE 1985-1986	% CHANGE 1984-1985*
Procter & Gamble	23,713	–20.3%	–5.4	30.2
Anheuser-Busch	22,943	17.7	18.9	5.9
Philip Morris	20,582	–7.2	4.3	1,194.8
General Mills	18,581	19.6	21.1	13.1
Time Inc.	16,412	2.3	25.0	78.3
Mars Inc.	14,877	–15.8	52.2	1,263.7
RJR Nabisco	14,688	40.5	NA**	NA
Coca-Cola	9,797	59.8	33.3	66.8
Thompson Medical Co.	8,374	360.2	28.0	45.8
General Motors Corp.	7,968	10.6	52.5	49.6

*1984 figures do not include MTV and CBN networks. **Prior to Nabisco's merger with RJ Reynolds in 1986.
Source: Arbitron's *Broadcast Advertiser's Reports* (BAR).

★ RATINGS ★

TOP NETWORK SERIES

First 28 weeks of season, Sept. 20, 1987, through April 3, 1988

	SERIES/NETWORK	RATING/SHARE
1	**The Cosby Show**/NBC	28.1/44
2	**A Different World**/NBC	25.1/40
3	**Cheers**/NBC	23.9/37
4	**Growing Pains**/ABC	22.8/34
5	**Night Court**/NBC	22.6/35
6	**Golden Girls**/NBC	22.1/38
7	**Who's The Boss?**/ABC	21.4/33
8	**60 Minutes**/CBS	20.8/34
9	**Murder, She Wrote**/CBS	20.2/30
10	**The Wonder Years**/ABC	20.0/31

TOP BARTER SERIES

First 29 weeks of season, Sept. 6, 1987, through March 27, 1988

	SERIES/SYNDICATOR	RATING
1	**Wheel of Fortune**/King World	17.7
2	**Jeopardy!**/King World	14.2
3	**National Baseball Network**/Stuart Broadcasting	10.7#
4	**World Wrestling Federation**/Titan Sports/WWF	10.4#
5	**Universal Pictures Debut Network** (movies)/MCA-TV	10.2#
6	**Star Trek: The Next Generation**/Paramount	10.0#
7	**The Oprah Winfrey Show**/King World	9.8
8	**Columbia Night at the Movies**/Columbia	9.0#
9	**People's Court**/Lorimar Telepictures	8.1#
10	**TV Net III** (movie package)/Viacom	7.9#

TOP CABLE NETWORKS

Average ratings/projected households, March 1988

	NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1	**WTBS**	2.4/1,061,000	3.2/1,415,000
2	**USA**	1.1/ 470,000	1.5/ 641,000
3	**ESPN**	0.9/ 410,000	1.7/ 775,000
4	**MTV**	.7/ 282,000	.8/ 323,000
5	**CBN**	.7/ 278,000	.5/ 199,000
6	**CNN**	.6/ 270,000	1.0/ 450,000
7	**Nashville Network**	.6/ 253,000*	1.4/ 570,000
8	**Lifetime**	.5/ 187,000	.8/ 300,000
9	**Discovery**	.5/ 150,000*	1.0/ 300,000
10	**Headline News**	.4/ 122,000	.4/ 122,000

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

HOME VIDEO

Top Videocassettes/Rentals

March 1988

TITLE/PUBLISHER	% TOP 50*
1 Dirty Dancing/Vestron	6.2
2 Beverly Hills Cop II/Paramount	6.1
3 Robocop/Orion	5.8
4 Platoon/HBO	5.5
5 No Way Out/HBO	4.8
6 Lost Boys/Warner	4.6
7 Predator/CBS/Fox	4.4
8 Big Easy/HBO	4.1
9 Spaceballs/MGM/UA	3.7
10 La Bamba/RCA/Columbia	3.3
10 Dragnet/MCA	3.3
12 Stakeout/Disney	2.9
13 Hamburger Hill/Vestron	2.6
14 Secret of My Success/MCA	2.5
15 Roxanne/RCA/Columbia	2.4
16 Revenge of the Nerds II/ CBS/Fox	2.3
16 Lethal Weapon/Warner	2.3
18 Nadine/CBS/Fox	2.1
19 Living Daylights/CBS/Fox	2.0
20 Outrageous Fortune/ Touchstone	1.9

Top Videocassettes/Sales

March 1988

TITLE/PUBLISHER	% TOP 50*
1 Jane Fonda's Start Up/Lorimar	10.1
2 Lady and the Tramp/Disney	5.7
3 Jane Fonda's Low-Impact Aerobics/Lorimar	4.8
3 Callanetics/MCA	4.8
5 Top Gun/Paramount	3.5
5 Jane Fonda's New Workout/Lorimar	3.5
7 Star Trek IV/Paramount	3.2
8 Sleeping Beauty/Disney	2.7
9 Automatic Golf/Video Reel	2.6
10 Wizard of Oz/MGM/UA	2.1
10 Rebecca/Key Video	2.1
12 Dirty Dancing/Vestron	2.0
13 An American Tail/MCA	1.9
13 Beverly Hills Cop II/Paramount	1.9
13 Richard Simmons/Lorimar	1.9
13 Sing Along Songs: Bare Necessities/Disney	1.9
13 Crocodile Dundee/Paramount	1.9
18 Raiders/Lost Ark/Paramount	1.8
18 Platoon/HBO	1.8
20 Sing Along Songs: Zip A-Dee-Doo/Disney	1.7

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

THE MAGID NUGGET

What To Do With Your VCR

How do people use their VCR's? Frank N. Magid Associates sampled 1,000 households to find out who rents, who buys and who tapes. Some highlights:

• Sixty percent of the households own a VCR, and of these VCR owners, almost all (92 percent) use it to show *rented* cassettes. Fifty-two percent have used it to show tapes that have been purchased, and 29 percent have shown home movies.

• Four out of five (81 percent) have used their VCR to record programs shown on TV. Of those, 37 percent say they tape frequently, 42 percent tape occasionally and 20 percent rarely tape TV programs.

• Based on those who tape TV programs, the majority (59 percent) cite the broadcast networks as their primary source, 27 percent cite cable and 8 percent cite local independent stations.

• A sampling of the types of programs recorded: movies (68 percent), sports events (46 percent), miniseries (28 percent), children's programs (28 percent), soap operas (25 percent) and specials such as rock concerts (15 percent) or stage plays (14 percent).

DEALS

Top Radio & TV Brokers: 1987

It was a rather busy year for radio and TV dealmakers, with 366 proposed deals involving 85 brokers and more than $2.6 billion in transactions. When the two categories were combined, Morgan Stanley topped the list at $495 million.

RADIO	TV
Broker (number of deals)/ Value in millions	Broker (number of deals)/ Value in millions
1. Wertheim (16)/$351.6	1. Morgan Stanley (7)/$451.9
2. Blackburn & Co. (40)/154.7	2. Shearson Lehman (5)/126.5
3. Drexel Burnham (4)/152.0	3. First Boston (1)/60.0
4. Chapman Assoc. (58)/151.8	4. Sandler Capital (3)/58.6
5. Americom (16)/96.7	5. R.C. Crisler (1)/51.0
6. Kidder Peabody (5)/71.3	6. Cecil Richards (3)/34.8
7. CEA (5)/48.3	7. Veronis Suhler (1)/18.7
8. Morgan Stanley (3)/42.7	8. CEA (1)/16.2
9. Cecil Richards (7)/42.6	9. Ted Hepburn (1)/15.6
10. Edwin Tornberg (1)/34.0	10. Befera (1)/10.7

Source: Paul Kagan Associates Inc.

TAKING STOCK

FIRST QUARTER 1988 STOCK PERFORMANCES

Again, cable is the success story in stocks, with only Financial News Network registering a loss (almost 15 percent). Production companies showed the most impressive gains, having overcome hard times on the exchanges since last October's crash. Vestron led the way with a 57 percent jump.

	3/31/88	12/31/87	% CHANGE
BROADCASTING			
Jacor	5.75	4.50	27.8
Liberty	45.00	35.50	26.8
Westwood One	22.75	18.50	23.0
United Television	25.50	21.00	21.4
Malrite Comm.	7.25	6.00	20.8
LIN Broadcasting	52.38	43.88	19.4
Infinity	21.25	18.25	16.4
Clear Channel Comm.	14.13	12.25	15.3
Park Comm.	28.00	25.00	12.0
Westinghouse	51.75	49.75	4.0
TVX	3.25	3.25	0.0
Capital Cities/ABC	341.50	345.00	−1.0
Scripps-Howard	76.50	78.00	−2.0
CBS	156.38	157.00	−3.4
Chris-Craft	17.38	18.25	−4.8
General Electric	40.38	44.13	−8.5
Price Comm.	7.88	8.75	−9.9
GenCorp	18.88	22.25	−15.1
CABLE			
United Cable	33.25	22.38	48.6
Turner Broadcasting	15.25	10.88	40.2
Centel	48.25	35.50	35.9
Tempo Enterprises	9.38	7.00	34.0
Jones	12.63	9.63	31.2
Cablevision Systems	34.25	26.13	31.1
Home Shopping Network	6.13	5.38	13.9
TCI	26.50	23.63	12.1
ATC	25.75	23.50	9.6
Scott Cable	27.00	25.75	4.9
Time	85.25	82.25	3.6
TCA	29.50	28.75	2.6
Comcast	25.00	24.63	1.5
Century Comm.	17.75	17.75	0.0
Financial News Network	5.75	6.75	−14.8

	3/31/88	12/31/87	% CHANGE
DIVERSIFIED			
Viacom	22.75	18.13	25.5
News Corp.	20.50	16.88	21.4
Multimedia	63.50	53.50	18.7
Washington Post	218.50	187.00	16.8
Media General	41.00	36.25	13.1
McGraw-Hill	53.88	48.25	11.7
Lee Enterprises	26.63	24.00	11.0
Warner	30.50	27.63	10.4
A. H. Belo	51.63	48.50	6.5
Knight-Ridder	40.25	40.13	0.3
New York Times	29.63	31.00	−4.4
Tribune	37.00	40.13	−7.8
Meredith	27.25	30.00	−9.2
Gannett	35.50	39.13	−9.3
Times Mirror	34.00	37.88*	−10.2
PRODUCTION			
Vestron	5.88	3.75	56.8
Republic Pictures	6.38	4.25	50.1
Barris	10.13	6.88	47.2
Orion	15.63	10.75	45.4
MGM/UA Comm.	9.00	6.25	44.0
Lorimar Telepictures	14.50	10.25	41.5
DeLaurentiis Ent.	1.00	.75	33.3
MCA	43.75	34.50	26.8
Aaron Spelling	5.75	4.63	24.2
Hal Roach Studios	5.25	4.38	19.9
Playboy	15.00	12.63	18.8
Gulf + Western	78.25	71.13	10.0
King World Prods.	19.13	17.75	7.8
Fries Ent.	2.38	2.38	0.0
Walt Disney	59.13	59.25	−0.2
Tri-Star (Columbia)	7.75	8.13	−4.7
New World	2.75	3.13	−12.1
Reeves Comm.	5.50	6.38	−13.8
Heritage Ent.	2.63	3.13	−16.0

*100% stock dividend, paid 12/31/87. Source: *Media Business News*.

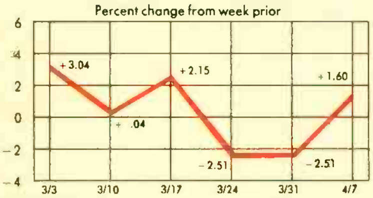
STOCKLINE

Industry Segment Profiles

Each index is an average of 12 companies' stock performance, reflecting that segment of the industry: Electronic, pure TV, cable, etc; Diversified, holdings in more than three areas of the media; and Production, pure TV programming. The Dow Jones is provided as a reference.

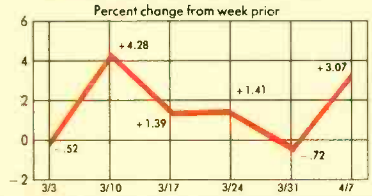
Diversified Index

Percent change from week prior



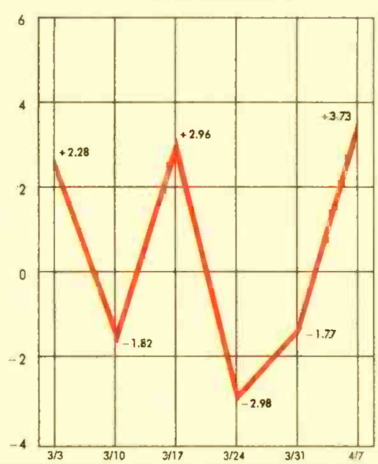
Electronic Index

Percent change from week prior



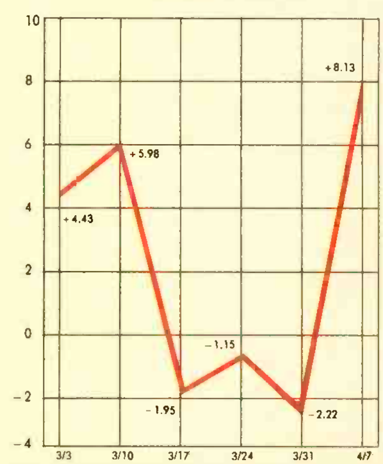
Dow Jones Industrials

Percent change from week prior



Production Index

Percent change from week prior



YOU DIDN'T *tell on your brother when you were a kid. Loyalty was more important to you than scoring points with your parents. If you got a bad grade you stood in front of your father with your report card and you took your punishment. Instead of asking for spending money, you chose to earn it. In college, you stood up for what you believed in. You didn't lie to get the job. And you never compromised your ideals to keep it. You're the kind of person who might take the blame to help out a friend, but you'd never take credit for an accomplishment that wasn't yours. Integrity isn't something you get overnight. It takes a lifetime to earn.*

Bill Daniels, Daniels Communications Center, 2930 E. Third Avenue, Denver, Colorado 80206

Revitalizing The Television Sales Machine

William G. Moll, the new president of the Television Bureau of Advertising, is creating a much needed revolution.

When former Harte-Hanks Television president and CEO William G. Moll was named president of the Television Bureau of Advertising (TvB) last fall, he found an institution in need of a transfusion. Although it was founded in 1954 to promote advertising on television and to provide sales training and materials, many among its current 600-plus member stations, rep firms, networks and producer-syndicators found the organization unresponsive and its approach to ad sales unsophisticated. Moll, who in his nine years at Harte-Hanks had grown the TV group from one to four stations and radio from none to ten, set about restructuring and reorganizing the TvB. He brought in new talent and began implementing a study by the Boston-based consulting firm, Butterfield Communications, that was commissioned to assess the state of TV sales and find out from members what they expected and most wanted from the TvB. Channels *editor Merrill Brown caught up with the 50-year-old Moll on the eve of the study's release at the recent NAB convention in Las Vegas.*

Butterfield's Revelations

Stations said the most important thing to them was training and education. How do they get their people thinking about being marketers, better schooled, smarter about selling television in different ways. Not just selling spots and dots and dropping off avails at the agency. How do they really start marketing a product with some sense of value? That's what we're about—training and education in the industry.

So the things we're doing have to do with helping stations generate more local sales revenue. And we are organizing ourselves in a way to key on the top 20 or 30 markets, and to keep a different service on the other markets, below 30. The top 30 markets have a very different kind of need for the services of TvB. We're going to go in and find out from them what it is they think they want that we've got. If we don't have it, we'll create it. It may be research; it may be working on market task forces where we are able to help them develop a new category, but we'll not send them away with a satchel full of material, saying "Here's your TvB satchel, your toolbox. Go ye therefore to sell."

Key Accounts

For the longest time our account list was *The Redbook*, with 17,000 accounts in it, and we put a very heavy emphasis on calling on as many of them as we could. But the plan we put in place last fall gets us in focus on the top 50 of those —those that have the highest potential for yielding real revenues for television. We've got an opportunity, with more horsepower on the street, to develop that key account system,. We are convinced that it works, that it can attract the dollars. It gets TvB as close to getting an order as we're ever going to get. We don't carry contracts around and take the order and get it on the air. We have to get them right up to that edge, where they say, "Yes, we'll commit," and then they've got to go to the stations and buy the spots.

Criticism of TvB

Visibility was one of them. People would say they knew we were out there working for them, but they just weren't sure how. We have an opportunity to do a whole lot better at communicating about our successes. I think we were criticized for having too generic an approach to sales: 'Here is the sales tool box. It applies universally to every account.' Well, it doesn't. So what we're trying to do is put a proper balance of some of those generic universal sales tools with some of the more specialized marketing tools that are necessary for us to sell television. Our efforts are to move toward market specificity, toward a higher degree of relevance, toward more one-on-one kinds of connections, toward developing new business.

Unwired Networks

They simply represent another way to sell television. As far as TvB is concerned, we really don't have a position one way or another on unwired networks. If they develop at all, they'll be a niche business. They're not going to transform the way television is broadcast. The unwired networks, at least in those very limited cases, have been more network buys than they have spot buys. What Katz put together was clearly a network buy. P&G bought it with network money—claims they did, and there's no reason not to believe them. It was a one-invoice buy. It seems, in that case, to have been unique. So I'm not sure that that first unwired network experiment will replicate itself the second time. The risk of the unwired network, if you follow the model of radio, is deleterious to television. There's enough downward pressure on rates that if unwired networks continue that pressure, then I think the industry will take a very long, hard look, or maybe a short, swift look, at whether or not it's something they want to continue.

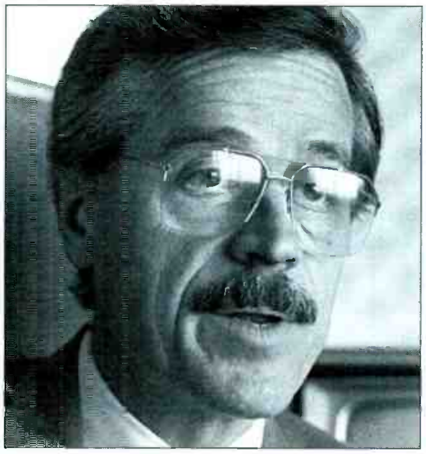
Cable's Threat

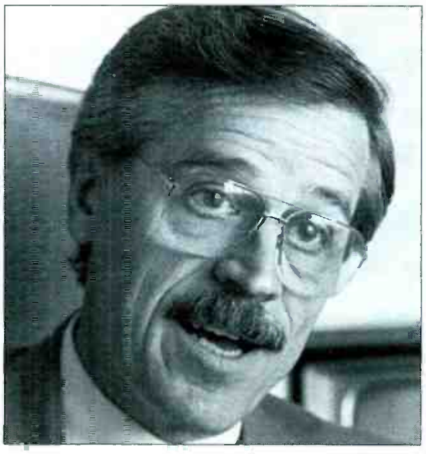
Obviously it all depends on the audience-share issue. Because the dollars will follow the bigger share of audience. It seems fairly clear that there is a real opportunity for growth on the cable side locally. So far, cable has not been particularly sophisticated in developing these opportunities. Frankly, I think cable is going to be a bigger threat to radio. Because those are the lower-cost units. Not that I won't worry about television, but I would worry more, as a radio operator, about cable eroding my revenue base. Clearly, cable's growth rate is going to continue to be phenomenal, coming from such a low base. But in a $26 billion broadcast environment, it's still a relatively small share. The real measure of the broadcast industry is how well we can do as a mass marketer. Nobody who advertises on cable is ever going to get the kind of mass reach. And they know it. That's why they are able to pay lower rates and get higher frequency. They recognize it's not that good of a reach. We're a different kind of a medium—a mass-reach medium. The strategy of the TvB is to sell the values of television. I don't think you ever elevate yourself by denigrating your competition. We don't go around knocking cable, and we don't go around knocking newspapers.

The Network-Affiliate Equation

There are two things in that relationship that are very important. I think the future has to see fewer network preemptions on the part of stations. I think that the identity of the network affiliate needs to be principally with the network. It's also important for the network to deliver the kind of quality programs that help to justify that. The second preachment is that network compensation is a very important element in the relationship. The day the networks take compensation out of the equation is the day they lose that differentiation—the principal thing that differentiates them from other programming at this point. The pressure is on affiliates to preempt the networks for high quality, ad-hoc network and syndicated programs. The networks who are looking at compensation as a quick and easy way to save money, to cut expenses, are making a very short-term judgment that will undermine the network-affiliate relationship. If they have any hope at all of bonding that relationship even tighter, I think compensation is a good part of it. But the stations, on the other hand, have to bind themselves more tightly to the network and have to be more supportive of the network's program efforts, building their identity around them as a way of differentiating them from all of the other competitors out there.

'People knew we were out there working for them, but they just weren't sure how. We have an opportunity to do a whole lot better at communicating about our successes.'





JERRY A. SMOLKA

Television vs. Newspapers

Clearly, retail is dominated by newspapers. Television stations, if they are going to grow, have to be more persuasive with retailers. Far and away, newspapers dominate a local market. The most important things are, first of all, to go get acquainted with retailers. It's phenomenal how many broadcast managers and sales managers have extremely limited knowledge even of who the retail players are. They must get as close to them as newspaper sales managers have over the years. There's also the whole target-marketing concept: know the people, understand the need. I don't think we've been particularly good listeners in our local markets as to what the needs of those advertisers are. The message for broadcasters today is that you've got to stop selling spots and you have to start being marketers of product. Give that customer some very specific marketing tools that will draw him to television.

Educating Sales Personnel

How we train our general sales managers, our local sales managers, our national sales managers, our account executives is, based on the Butterfield study, one of the highest priorities of stations. TvB has several programs focused on that: the Harvard program for g.s.m.'s begins in 1989; the Sterling Institute programs for n.s.m.'s, g.s.m.'s, l.s.m.'s, experienced a.e.'s and inexperienced a.e.'s. Next year we will offer a different kind of sales-training group. It will target about 30 markets, so we can work closely with stations, giving them very direct, hands-on kind of experiences, which is what they seem to be asking for. Less global and generic, and very much more hands-on.

Attracting Young People to Sales

We have had a program for years that I don't think has been well developed, either by colleges or by us, where more than 200 colleges, sponsored by local stations, are associate members of TvB and received our monthly sales materials. I think the appeal is the money—there's more to be made on the marketing side of television than on the production side. And there are more opportunities for young people. There is as much creativity required in marketing as there is in producing. ●

What Shoppers Watch

For years the prime target groups for many TV advertisers have been women 18-49 or 25-54. The assumption was that those women were usually households' main shoppers, but that assumption is outmoded. When AGB Television Research surveyed its people-meter homes last year, those two age groups of women together accounted for only 55 percent of "principal shoppers"; 26 percent were older women and nearly 19 percent were men. Why not figure ratings among principal shoppers? AGB began doing that last fall. CBS senior v.p. for marketing David Poltrack called the step a "marketing breakthrough" and teased advertisers for bidding up the cost of reaching the reigning key demographic groups. Now maybe they'll run up the price of "principal shoppers." *Murder, She Wrote* and other shows on Poltrack's network get better ratings among the shoppers than among women 18-49.

DAVID HERBICK

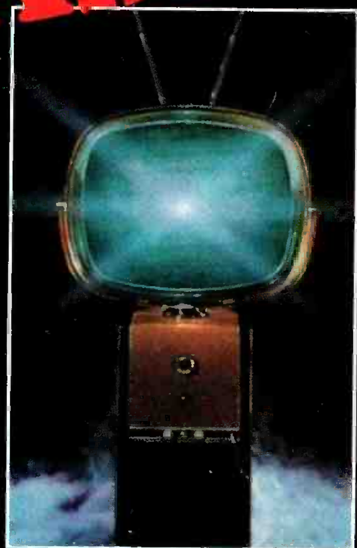
Prime time programs ranked by principal shopper rating, week of February 29, 1988	Principal shopper rating	Women 18-49 rank/rating	Households rank/rating
1 The Cosby Show	23.1	(1) 22.0	(1) 30.7
2 Day by Day (March 3)	19.6	(2) 19.3	(2) 26.4
3 Golden Girls	17.8	(12) 14.1	(7) 21.9
4 Night Court	17.1	(4) 17.2	(4) 23.3
5 Cheers	16.9	(6) 16.2	(3) 24.0
6 Murder, She Wrote	15.9	(35) 8.5	(12) 19.1
7 Amen	15.7	(16) 13.0	(13) 18.8
8 60 Minutes	15.5	(32) 8.5	(11) 19.6
9 Growing Pains (March 1)	14.8	(3) 17.6	(5) 23.1
10 Grammy Awards	14.2	(5) 16.9	(9) 20.0
11 ALF	13.7	(9) 14.5	(6) 22.0
12 Dallas	13.6	(20) 10.0	(21) 16.3
13 Family Ties	13.5	(7) 15.4	(14) 18.7
14 Who's the Boss?	13.4	(8) 14.5	(8) 21.1
15 L.A. Law	13.2	(11) 14.2	(15) 18.1
15 CBS movie: Bluegrass, Part 2	13.2	(22) 10.0	(18) 17.1
17 Bob Hope Special	12.9	(37) 8.0	(25) 15.1
18 Miss U.S.A. Pageant	12.8	(30) 8.6	(17) 17.2
19 NBC Sunday Night at the Movies	12.6	(18) 11.2	(19) 16.6
20 Day by Day (Feb. 29)	12.2	(13) 13.6	(10) 19.8
20 Knots Landing	12.2	(14) 13.1	(23) 15.3
22 Matlock	12.1	(49) 6.3	(24) 15.2
23 Falcon Crest	11.9	(27) 9.2	(31) 14.4
24 CBS Sunday Night Movie	11.8	(43) 7.1	(28) 14.7
25 Day by Day (March 6)	11.4	(14) 13.1	(20) 16.4
25 Moonlighting	11.4	(10) 14.4	(22) 16.1
25 227	11.4	(21) 10.0	(29) 14.5
28 Growing Pains (March 2)	10.7	(19) 10.8	(16) 17.7
29 Beauty and the Beast	10.4	(23) 9.8	(34) 13.6
30 Hunter	10.3	(45) 6.7	(30) 14.5

Source: AGB Television Research

NBC CBS ABC

Two major motion picture packages from Vestron Television

CASH CLEARED



EMPIRE OF TERROR

19 broadcast premiers primed for scary success, including GHOLIES, TROLL, RE-ANIMATOR, TERROR-VISION, FROM BEYOND and more!

Among the markets already cleared for cash: KCOP Los Angeles, WPWR Chicago, WTAF Philadelphia, KICU San Francisco, WFXT Boston, WXON Detroit, KDFI Dallas-Fort Worth, WDCA Washington, D.C., KHTV Houston, WUAB Cleveland, WATL Atlanta, WDZL Miami, KPLR St. Louis, KNXV Phoenix.

FIRST IMAGES

Dancing to the beat of success with an outstanding array of twelve first-run films including DIRTY DANCING and 8 MILLION WAYS TO DIE!

Already cleared for cash: WTAF Philadelphia, KICU San Francisco, WSBK Boston, KTXH Houston, WOIO Cleveland, WCIX Miami, KPLR St. Louis, KTXA Dallas-Ft. Worth, WDCA Washington DC, KRBK Sacramento, WTXX Hartford, WOFL Orlando, WCGV Milwaukee, WCAY Nashville, and still moving!

VESTRON TELEVISION™

60 Long Ridge Road, P.O. Box 4000, Stamford, CT 06907 • 203-967-9200 Telex: 475 0118

1128 White Lake Court, Fort Worth, TX 76103 • 817-654-2401

2029 Century Park East, Suite 200, Los Angeles, CA 90067 • 213-551-1723 Telex: 188 3663