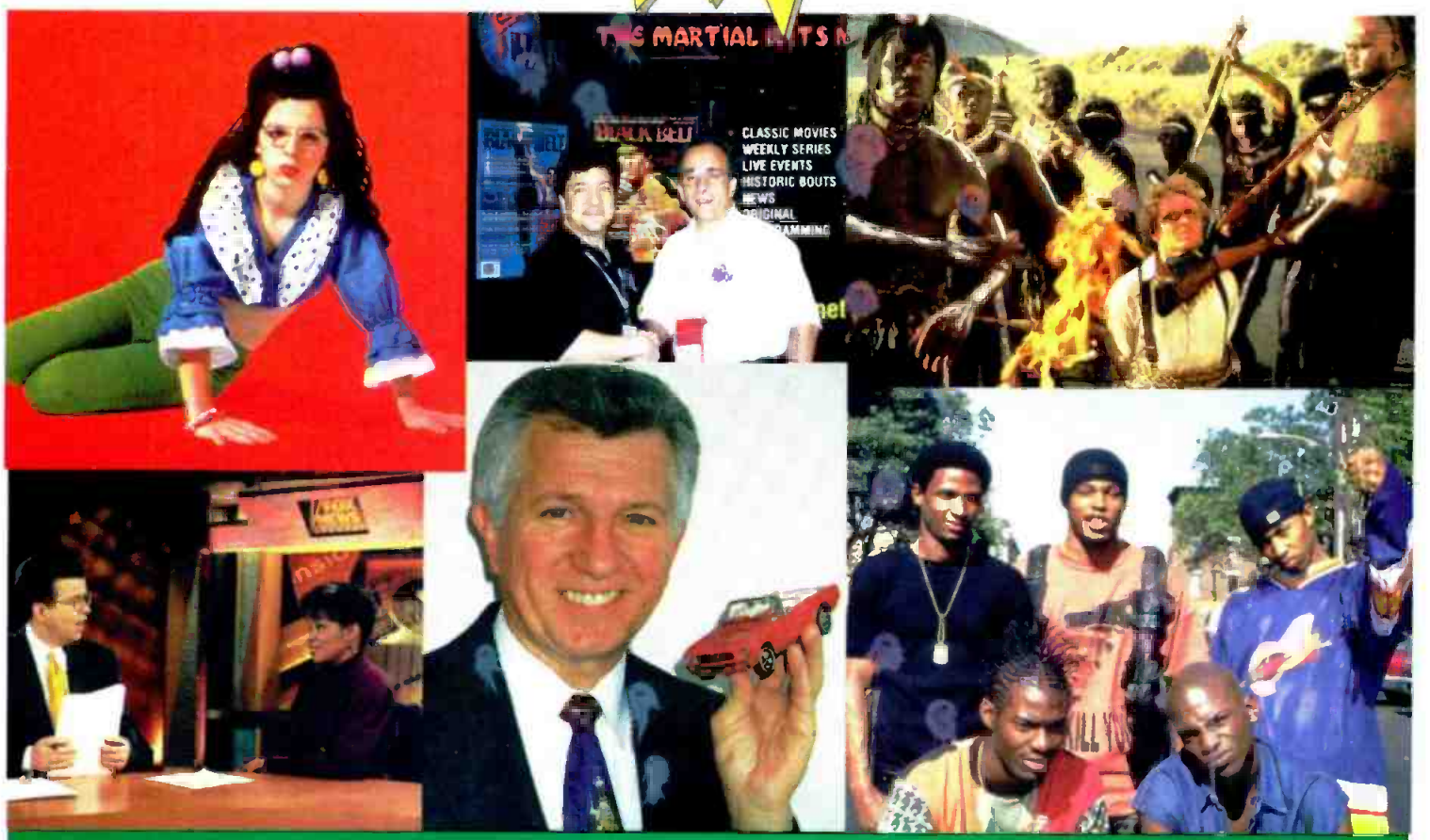
special report: new cable networks



The Race for Space

There's nary an encouraging word for new cable networks.

Ask anyone in the business and you'll hear horror stories of exhorbitant start-up costs, scarce channel capacity and brutal competition.

Even backing by a media conglomerate does not guarantee success (see page 77). Analysts and operators agree that brand names and payment for carriage will take a network only so far. Ask MTV spinoff M2 and CBS Eye on People, which still must prove their worth, despite the brand name in their logo.

Just last week, another giant company, magazine publisher Ziff-Davis, jumped in with a 24-hour computer channel, despite the fact that another computer channel went under two weeks ago, and another failed to launch last year (see page 76).

And what's tough for the well-connected networks is nearly impossible for independent, entrepreneurial ventures (see page 80). They must scramble for capital and carriage at the same time.

"The biggest deterrent to carriage is [cable's] monopoly," says Bob Gordon, president, Auto Channel. "They shouldn't be able to own the programing when they're the gatekeeper."

Because of the unfulfilled promise of 500 channels offered by digital technology (see page 84), channel space remains the biggest problem for all networks. Until the extra cable channels become available, many would-be networks are turning to other avenues of distribution such as DBS, C-band, leased access and low-power TV.

Why, then, are there so many niche channels trying to make a go of it?

There's a pot of gold at the end of the rainbow (see page 90). When Disney bought Capcities/ABC, ESPN accounted for roughly half of the $19 billion purchase price, despite the fact that the broadcast operations generated four times the revenue of ESPN.

Says Lehman Bros. media analyst Larry Petrella: "The cable programing network is the best business I follow."

The following pages feature a list of cable channel wannabes, from A to Z, and stories about the current climate.

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lights on gaming, entertainment industry, shopping, business and news segments
Owner: Private
Launch date: Fourth quarter 1997

Global Shopping Network
New York 212-246-9000
Website: globalshopping.com
Programing: Televised electronic retailing network, offering manufacturer direct prices
Owner: Private
Launch date: March 1, 1996
Subscribers: 8 million



The Gospel Network
Hollywood 213-469-4322
Programing: Live concert, music videos, news, sports, comedy showcase, direct-response and special-interest programs with general-interest appeal
Owner: Private
Launch date: Sheltered launch Dec. 1, 1996; 24 hours in last quarter 1997

Guthy-Renker Television (GRTV)
Santa Monica, Calif. 310-581-6250
Website: www.grtv.com
Programing: Infomercials and direct-response programing
Owners: Bill Guthy, Greg Renker and Michael Wex
Launch date: January 1996
Subscribers: 30 million

Hobby Craft Network
Solana Beach, Calif. 619-259-2305
Website: www.hobby-craft.com
Programing: Craft and hobby how-to programing
Owner: Private
Launch date: Third quarter 1997

Home Improvement Network
San Diego 619-273-0572
Website: www.fixitvideos.com/homefix
Programing: Home repair do-it-yourself instructional programing, also available in Spanish. Mini-pay programing opportunities available for cable companies.
Owner: Private
Launch date: Premiered on America One Television, summer 1996
Subscribers: 4.8 million

International Channel Networks
Denver 303-267-4000
Website: www.I-channel.com
Programing: Series of single-language premium services, including Chinese, French, Arabic, Italian, Tagalog and Hindi
Owner: Encore Media/International Media Group
Launch date: End of 1997

Jock Talk TV
Los Angeles 213-993-6032
Programing: 24-hour sports talk with viewer call-in format; emphasis on baseball and boxing
Owner: Evans Partners
Launch date: June 1997



Knowledge TV
Englewood, Colo. 303-792-3111
Website: www.jec.edu
Programing: Instructional information in four blocks: computer and technology; business and finance; culture and language, and health and wellness
Owner: The Jones Network
Launch date: October 1996
Subscribers: 16 million on Jones systems; another 20 million part-time on other systems

Little Leaguers Sports/News Network
Montebello, Calif. 413-724-1466
Programing: Featuring ages 18 and younger youth sports games with live and prerecorded games from schools, leagues, parks, playgrounds and dirt lots from neighborhoods across the country
Owner: MZE Productions
Launch date: July 1997

The Love Network
New York 212-752-4657
Programing: Aimed at educating viewers about love, communication, relationships, self-esteem and self-improvement
Owner: Private
Launch date: September 1997

M1–The Museum Channel
Los Angeles 213-850-8080
Programing: Entertainment-based, dedicated to the wealth and variety of 35,000 museums worldwide, ranging from children's museums to the Smithsonian
Owner: Olivier de Courson, Mits Kataoka
Launch date: Second quarter 1998

M2: Music Television
New York 212-654-6177
Website: www.mtv.com
Programing: 24-hour music videos; some local programs
Owner: Viacom/MTV
Launch date: Aug. 1, 1996
Subscribers: 6.4 million

The Martial Arts Network
Boca Raton, Fla. 561-479-3781
Website: www.martial-arts-network.com
Programing: 24 hours devoted to martial arts action/adventure films and TV series, as well as original programing, competitions, news, how-to and fitness
Owner: RTI Enterprises Inc.
Launch date: Late 1997/early 1998



Martial Arts President Tony Interdonato and Chairman-CEO Ron Tramontano greeted cable executives at NCTA.

The MBC Movie Network
Dallas 972-402-0997
Programing: African-American premium movie service
Owner: Minority Broadcasting Corp. of America
Launch date: Third quarter 1997

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the combination of *Sports Illustrated* and CNN will be strong enough to carry the network through the early tough times.

"[CNN] SI is now in about 5 million homes or so, and that's not bad for a network that launched just last December," he says. "So we're moving."

CBS Eye on People got off to a slower than predicted start in lining up carriage. When the network launched in March, Group W Satellite Communications Senior Vice President Lloyd Werner said it would rollout with 2 million subscribers.

Werner now admits that Eye on People came up just short of the mark, but he says the network hopes to get back on track later this month. The network's original goal of adding 1 million subscribers a month for the first year is still attainable, he says.

"I will tell you, it takes patience," Werner says. "If you think you are going to walk into this business and knock them [cable operators] out overnight, it is not going to happen. Having the CBS brand behind you can help in a lot of different ways, but it does not guarantee success."

NBC Cable President Tom Rogers says that getting a new network started is tough because cable networks and operators



NBC Cable President Tom Rogers says that if the network had launched its MSNBC (above, covering the inauguration) channel any later, the climate would have been tougher.

alike are preparing for something they have never had to face before—digital compression. Rogers says MSNBC's launching nearly a year ago gave it some advantages. If NBC had launched it any later, he says, it would have been much tougher.

"We are right on the verge of people beginning to say that any analog channel is one less possible channel to digitize," Rogers says. "And I'd imagine for CBS it looks a lot tougher than it did for us a year ago."

Rogers says the game changed when Rupert Murdoch paid upfront fees for carriage with his Fox News Channel. Jeffrey Marcus, chairman of Marcus Cable, admits that Murdoch's move has altered normal operator-programer relations. He says the pay-for-carriage trend has opened doors for networks that might not otherwise have received carriage.

"If you have two networks of equal quality, then I would say the one that makes the best business deal is the one that is probably going to get on," Marcus says. "There is a finite amount of shelf space and a much larger amount of product."

Analysts and operators agree that brand names and payment for carriage will take a network only so far—high-quality programing will sustain it. Jeff Flathers, an analyst with Paul Kagan Associates, says CBS Eye on People, ESPNEWS and others still have to prove their worth, whether they have a popular brand name in their logo or not.

"Perhaps they think it is a win-win situation," Flathers says. "But when you get right down to it, they are very much in the same boat as the smaller programers—having to offer something that is really different and that will give added value to the cable operator." ■

Little networks face big challenges

Space on cable systems, financial backing hard to come by

By Kim McAvoy

Ask anyone trying to launch a small independent cable network, and they'll tell you it's not easy.

For starters, despite the promise of digital plenty, space on most cable systems remains limited. Those constraints on carriage have forced many fledgling and would-be networks to seek distribution via a combination of DBS, C-band, leased access and even UHF and low-power TV outlets. But as one executive puts it, "cable is the name of the game."

But to play, new networks have to ante up. Finding sufficient financial backing remains a challenge. "The financial community isn't behind niche programing; they only want to support mass-appeal programing," says Matthew Simek of the Air & Space Network.

"You need to find a champion," says Simek. But finding an MSO to partner with is difficult, he adds. Many vertically integrated cable companies are developing their own networks. MSOs "are just not partnering," laments Simek. Lacking the necessary funding, Air & Space hasn't been able to get off the ground.

> **"The financial community isn't behind niche programing; they only want to support mass-appeal programing."**
>
> **—Matthew Simik, Air & Space Network**

"What you need is a major operator to own a piece of you and carry you," says Gary Sohmers, president of the Collectors Channel. "If you want to have 10 million subscribers, you need an MSO; there are no two ways about it." So far unable to collect the necessary backing, that channel, too, has yet to launch.

The Auto Channel thought it had such a partner, but its potential hookup with one MSO failed to pan out. As a result, the proposed network has launched a legal battle against Cox Communications and several other MSOs.

The Auto Channel says it had a car-

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She pays 61% of all family bills.
Writes 80% of all checks.
Controls 86% of all personal wealth
Wanna launch another guy network?



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What women want.

A new network from AMC.

Source: Paul Sheldon, Prudential Securities, Inc.

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riage deal and was promised financial support from Cox. "We were going to be partners.... They jerked us around for a year and a half and then dropped their plans and decided to do it themselves with Speedvision," says Auto Channel President Bob Gordon. Cox disputes the charges.

The suit charges Speedvision and owners Cox, Comcast and Continental Cablevision with antitrust violations and theft of trade secrets. The suit was filed in U.S. District Court, Western Division of Kentucky, in Louisville.

The MSOs have filed a motion to dismiss, arguing that Speedvision is not a "copycat" version of Auto Channel. And Cox maintains that it is merely an investor in Speedvision, which was created by Roger Werner and Daniels Programming Ventures.

Cox says it was presented with a Speedvision proposal "some two months" after Cox informed Gordon that it was no longer interested in The Auto Channel. Furthermore, Cox says it did not disclose any material concerning the channel to Speedvision's creators and that there was no deal with Gordon.

"The biggest deterrent to carriage is [cable's] monopoly. They shouldn't be able to own the programing when they're the gatekeeper," says Gordon. Meanwhile, he says, his proposed network is "on hold."

Still, programers like Eric McLamb say cable alliances are key to a network's success. The founder and president of the Ecology Channel, McLamb says "cable is the name of the game."

And McLamb thinks new independent networks will be picked up if they can show cable operators they can "give them something of value." Niche services, he says, can help cable operators reach people not usually interested in cable.

McLamb is looking to secure full-time carriage for his network by 1999. In the meantime, the Outdoor Life Network, which is distributed on wireless, C-band and cable, carries eight hours a week of Ecology Channel programing.

Gay Entertainment Television is looking into satellite and leased-access distribution. And the Gospel Network, which is carried as a four-hour block on Channel America in New York, hopes to expand to a 24-hour service by the end of the year on cable systems and low-power and independent TV stations.



The Ecology Channel's McLamb thinks new independent networks will be picked up if they can show cable operators they can "give them something of value," like *Preserving Antartica* (above), which will run on the Ecology Channel later this year.

"It's no secret that you have to go out and make alliances pretty quick," says Steve Matela, executive vice president of Hobby Craft Network.

"Our ultimate goal is to be distributed by MSO's," says Michael Schwager, chairman of The Enrichment Channel. But because "carriage is still tight," he says, the network is thinking about a combination of distribution services including satellite, leased access, low-power and UHF stations. "And we're talking to several launched channels about nesting.

"The best way to make an impression on MSOs is to establish a presence. Then you can negotiate with them," says Schwager.

Indeed, the planned Anthropology Programming and Entertainment (APE) network is developing a 26-episode series, called *Fossil Hunter*, to pitch to established cable networks and thus help to promote itself.

And Automotive Television Network (ATN), which provides programing for Speedvision, is preparing to launch as a full-time network in Asia this fall. "We'll bring the channel back to the U.S. once there's room in the market," says Jim Barisano of Global Television, ATN's parent company.

New networks could get some help getting noticed from Bethesda, Md.–based On-Premise Programing Society of America (OPPSA). OPPSA plans to help promote new cable channels through a service it is trying to develop for a fall launch. OPPSA is proposing to distribute a publication to the nation's bars and restaurants that will provide information on cable networks, such as when and where they can be watched and what types of specialty programing are offered, says OPPSA's Tim Bresien.

Once a network gets noticed, however, it must have a product that holds the audience's attention. "It's harder for our network to get on because we're an independent. There's no Time Warner behind us. But what we do have is one of the most unique ideas," says Tony Interdonato, president of The Martial Arts Network.

Interdonato says interest in the channel is so strong that he's talking with three of the top 10 MSOs about distribution. "The response has been greater than we anticipated." He says he expects to launch the service by the end of 1998. "We're a Cinderella story of the '90s," Interdonato says.

Perhaps, but for many others, the glass slipper has so far failed to fit. The following were on BROADCASTING & CABLE's most recent new-networks list (Dec. 30, 1996), but are now in limbo, have folded, did not return calls regarding their current status or could not be reached.

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