

## Dear Friends:

Within the last few years, we've seen a new and formidable arsenal of weapons in the battle for ad dollars, with DBS, the information highway, interactive services, TV network affiliate battles, new cable network launches, radio duopolies, Telcos, selective consumer databases, home shopping . . . the list is seemingly endless.

And let's face it, folks . . . we haven't seen anything yet!

There's never been a better time for credit departments to reengineer themselves to accommodate non-traditional advertisers and the potential increase in their customer base. Take a hard look at your credit policy, internal systems, credit apps, and terms and conditions. Now is the time for business departments to take a proactive role in helping their companies to become more flexible and to move extremely quickly . . . qualities that will be increasingly critical to a company's survival as the slices of the advertising pie continue to get slimmer.

On our calendar this summer are the Cable Advertising Bureau Conference, July 16th through 19th in Lincolnshire, Illinois, and the Georgia Association of Broadcasters, August 5th through 7th in Augusta, Georgia.

Have a terrific summer and best wishes,



Pete Szabo, President  
Szabo Associates, Inc.

## Creating New Revenue Streams New Challenges Confront Media Properties in the '90s

Plush moose, anyone? Don't laugh—The holiday season promotion offering products that tied into the weekly television series *Northern Exposure* attracted tens of thousands of consumers while creating a database worth a gold mine.

The promotion was advertised in 30-second spots during *Northern Exposure* episodes. Viewers called an 800 number for the products, and were then entered into a computer database to be used for further market research purposes. This innovative kind of promotion is just one example of how networks, and media in general, are attempting to stay competitive in the '90's by creating new streams of revenue.

On the local level, television stations have sought to create new revenue streams while addressing their advertisers' demands for value-added service.

"We try our best to anticipate our clients' perceptions of value-added service," says John Shine, General Manager of KIMT Television in Mason City, Iowa. "Our challenge has been to maximize the value of television advertising so that clients will buy more."

KIMT has created new revenue streams through sponsorships of news, sports, and weather programming as well as sponsorships of spe-

cial events. Sponsors receive a "billboard," or sponsorship acknowledgment, at the program's open and close, as well as a 30-second commercial within the program. In Shine's view, the value of a station is driven by such programming.

"As your news goes, so goes your station," he says. "If you are a leader there, it follows that you should get more dollars for time because the advertiser receives more value. For example, here in the Midwest, weather is obviously important to people. That makes a sponsorship of our weather programming extremely valuable. And because there are only so many such opportunities available, these sponsorships are considered very prestigious advertising vehicles. Our salespeople also like them because it gives their advertising accounts additional alternatives."

Shine believes that television is still the most powerful medium available. "Rates are higher now, not lower," he says. "We should continue to raise rates as we have in the past because of the value of television."

As far as future trends, Shine recognizes the increasing number—and success—of "info-mercials," 30-

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minute commercial programs. "We have them," he says. "And people watch them."

At the network level, deals are now being made between networks that were not possible in the "old days" because of restrictive FCC regulations. For example, this fall, a new television series called "The Boys are Back" will premiere on CBS. What represents a departure from tradition (and a growing trend) is that the series will be produced by an independent production division that is wholly owned by another network, ABC. Recently, CBS also entered into an exclusive value-added marketing relationship with Prodigy, the on-line computer service company, to provide interactive communication between advertisers and Prodigy subscribers.

Some of the most exciting opportunities for creating new revenue streams have taken place in the cable industry.

"Piggyback publishing" is an example of how the cable television medium has "crossed over" into another medium — print — to create new revenue. Some piggyback publications in the cable industry have surpassed the value-added intent of their predecessors and have become positioned as profit centers. An example is *Country America*, designed for people who like country living and country music and which includes a program guide to The Nashville Network.

In an era of reduced government funding, public television stations have also jumped on the print bandwagon to boost sagging revenues. WNET, a New York City-based station, was the first public broadcast company in the country to use a catalog for fundraising. The successful campaign repre-

sented a departure from the traditional methods that public television stations use to raise money—asking for contributions and giving away products as premiums.

And speaking of departures from tradition, WGBH in Boston, one of public television's most prominent and innovative stations, is entering this year into a new and potentially lucrative territory by starting a series of toys, games and other products based on some of the station's popular programs, including *Nova*, *This Old House*, and *The Victory Garden*. The games are the first of dozens of products that are planned for sale nationwide. While WGBH would like to sell the products through retail chains, it is especially interested in specialty stores and museum gift shops.

One of the most exciting aspects of cable is that it can offer advertisers a multi-media approach to advertising within the cable environment.

"Around 1991, we realized that advertising sales, in the form of traditional commercial spots, were just the tip of the iceberg as far as opportunities were concerned," says Jerry Czuchna, Corporate Vice President/Sales of Jones Intercable, Inc. in Denver, Colorado. "Traditional advertising vehicles, like print, are now available to the cable subscriber universe through cable.

"For example," says Czuchna, "the late '80s saw the advent of digitized

still frame photo channels that targeted specific interests, such as real estate, auto, and general retail. These 'photo classified channels' have done well and have evolved into an integration of real-time video and still-frames. This technology has made it possible to produce appealing programs, such as community bulletin boards and church programs, at low cost."

Cable programmers also use 900 numbers to offer value-added information, conduct contests, and even for fundraising. Although reaction to risque and scam consumer lines temporarily bruised the industry, many basic cable networks are successfully incorporating 900 lines into their business. Some use the lines on a 24-hour basis, while other use them only for promotions.

As an example, for about a dollar, subscribers can dial up the Weather Channel's "Connection" service for quick weather information on 650 U.S. Cities or 300 locations overseas. Callers who don't want a weather update can play trivia games for prizes donated by TWC advertisers.

Czuchna believes that, by the year 1995 or 1996, advances in cable technology will usher in a number of new cable advertising options. "We are now on the threshold of new technologies that will expand the reach of advertising

## collector's corner

"Collector's Corner" is our readers' forum for suggestions, comments, and idea swapping. If you have information to share or input on how our newsletter can better serve you, please write or call.

**Question:** What is a UCC 1?

**T.D., Mobile, AL**

**Answer:** It is a document under the Uniform Commercial Code used to record a lien against collateral to protect one's security interest.



to cable subscribers," he says. "Interactive programs, such as video Yellow Pages and video classifieds, will become available by request to cable subscribers. The information provided by these interactive services will be free to subscribers, while advertisers will be charged a low monthly rate plus an additional charge for each interaction."

"We have been aggressively creating new revenue streams for the past five years," says Al Fetch, President and General Manager of WVKO/WSNY Radio in Columbus, Ohio.

WVKO/WSNY has excelled in creating revenue from vendor programs as well as from the sale of station items (packages of specialty items marketed through its database mailing list and through displays at events).

Vendor programs are three-way ventures involving manufacturers, retailers, and media in which all parties benefit. "Our vendor programs are funded out of special promotional money as opposed to regular advertising budgets," says Fetch. "The advertising messages are grouped and presented in the

context of a complete, self-contained program, which is an effective yet unobtrusive method to sell a product."

WVKO/WSNY employs two vendor specialists on staff who work in tandem with the station's account executives to put a program together. The vendor programs at WVKO/WSNY have been very successful in generating new business, and other stations have attempted to emulate their success.

"The problems arise when stations focus too much on vendor programs," says Fetch. "Our main business is selling advertising, and 90 percent of revenues should come from traditional advertising sales."

Advances in video technology have increased the challenges of print media to create new avenues for profit.

Mike Ward, Credit Manager of the St. Petersburg Times in St. Petersburg, Florida, cites three areas in which the newspaper has created new sources of revenue.

"About a year ago, we created the 'Times Line,' known in the industry as 'audio text,'" says Ward. "People can phone in to receive information on a

variety of subjects—weather, stock market, horoscope, and other areas of human interest. First they hear the advertiser's message, then they can choose their area of interest.

"Secondly, our 'alternate delivery' service allows us to compete with the post office for the delivery of periodicals," says Ward. Legally, under the postal Private Express Statutes, catalogs of 224 or more pages, magazines, and saturation mailing can all be privately delivered. "It takes only three to four hours per day to deliver newspapers," says Ward. "Alternate delivery" uses the same network, which otherwise would remain idle for the rest of the day."

As a third source of additional revenue, the Times also delivers product samples to subscribers with its Sunday edition.

"We look at this issue a bit differently," says Neil Perlman, Vice-President and General Manager of *Entrepreneur* magazine in Irvine, California. "Many publishing houses have been forced to create new revenue sources as a matter of survival, but we sell more pages of advertising than any other monthly publication, with the exception of *Vogue*."

Perlman views his company's development of additional sources of revenue as a way to provide more products and services to their constituents rather than as a device for replacing lost revenue.

"If our customers want monthly information, they subscribe to *Entrepreneur* magazine," he says. "If they want direct on-line information through their computer, we provide a forum through CompuServe and Prodigy. If they want face-to-face communication with advertisers, we have five expositions where our advertisers are exhibitors and our readers are attendees. If they want a more permanent format, we have 180 book titles that will be available in every bookstore



"WE DIDN'T FIND THOSE NEW REVENUE STREAMS YOU WERE TALKING ABOUT, BUT WE SURE HAD A SWELL TIME LOOKING FOR THEM."

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in the country by next year. And finally, we can provide information in a machine-readable format with our CD/Rom products: the *Small Business Advisor*, a complete compendium for the small business owner, and CD/Rom versions of our 180 business guides, which will be sold through software retailers and bookstores.

"We have been in the business publication and direct mail business for 20 years," concludes Perlman. "New technology has given us the opportunity to expand business and serve our customers with a broader range of services."

The '90's are a time of great creativity for media. Options for generating new revenue streams have expanded as a result of exciting new developments on the technological front, while media are encouraged to explore the limits of their capabilities to provide more "value-added" service than their competitors. It's truly an exciting era of change—and opportunity—for all of us in the media industry! ♦

## Why We Work the Way We Do Value-Added Services

Specializing in media is obviously very helpful to us in collecting receivables—but it's had valuable fringe benefits to our clients as well.

By reorganizing into divisions devoted to individual media, we've been able to concentrate even more on your individual needs. We offer services no other collection service can offer. We call these "value-added" services because our clients can use most of them at no additional cost.

One of the most valuable is our database on advertisers and agencies. It's the world's most complete. It contains information from our own firsthand experiences with more than 170,000 firms. It's available to our clients without any added charge.

Another kind of data that can be helpful to you is contained in our Corporate Management Reports, available to clients on request. It can help you track our activities for all your properties. Because we never purge any of your historic data, we can quickly provide year-to-date or historical reports in a variety of formats.

General industry information is available to you in the form of surveys on DSO, aging and bad debt. In addition, our Library Resource Center contains a unique and extensive collection of information on subjects such as debtor/creditor rights, ad agency and advertiser liability, media/advertising law and pertinent cases.

Those are just a few of the value-added services available to Szabo clients. Others include accounts receivable management services, recommendation and supervision of legal counsel, assistance in debtor bankruptcy actions including creditors' committees and bankruptcy court, electronic data interchange, and international collections.

Many companies would pay a considerable fee for services like these—but at Szabo, they're an added value to our clients. We don't know anyplace else you could find them, because we don't know anyplace else that does so much to gather information on the media industry. ♦

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