

# DBS Programming

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**Abstract**—There are four essential elements for a successful broadcasting-satellite system: an international regulatory framework and domestic approval, financial backing, the space and earth technology and hardware, and the programming to attract viewers—and subscribers. Without the latter, no system can be commercially viable, nor will the DBS industry thrive. This paper discusses the kind of programming planned for one of the subscription DBS systems, the sources of that programming, and the contemporary contractual and operational practices in the TV programming field.

## I. INTRODUCTION

THE program executive working with a new broadcasting technology is regularly asked the question, "Will your delivery system produce new and different programming?" At STC, the answer is "Yes"—in the long run.

The experience of the last 20 years has shown that while new technologies do not really "invent" new kinds of programs, they do develop ways of presenting existing products that create new patterns of audience behavior. Home Box Office did not invent the feature film, Cable News Network did not discover news, and MTV did not originate the rock video. But all three pioneered innovative ways of packaging and delivering these products that changed the way Americans viewed and used their television sets. In bringing the first high-powered addressable DBS system to the American public, our DBS venture will also develop and refine new ways of packaging and delivering electronic services and, like its predecessors, hopes to have a significant effect on the habits and lifestyles of TV viewers.

## II. THE PROGRAM PACKAGE

In our opinion, preparing a successful DBS programming package requires assembling a mix of programs that will perform effectively in areas that do not have access to cable as well as in parts of the country that have, or will have, access to basic and pay cable service. For the first group, uncabled homes, the starting place is to offer a concentrated package of the best pay television available. For the second group, whose members have access to or already subscribe to a variety of cable services, it will be necessary to provide programs and program attributes that will not be available to them through their local cable

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systems. STC's approach to programming is to consider the wide range of audience segments, looking at potential customers not so much in terms of where they are but rather at the ways that they use communications systems and technology. The elements of such a package are being selected for their ability to address unfilled audience needs, whether they be from a lack of availability of standard pay television or from pastimes such as the use of personal computers, digital audio systems, videocassette recorders, or other special interests not fully supported by direct distribution. Such a package of entertainment services would include movies, sports, music, and general entertainment that highlight the unique technical features of the DBS delivery system, such as addressability, digital stereo audio, and high quality video. Accompanying these programs should be information services such as teletext and computer software downloading, made possible by the wide-band delivery capacity and microprocessor-based home equipment.

Based on this strategy, the schedule is likely to include premium movies, augmented by specials and series; national and regional sports; a variety of music programming; lifestyles and children's programming; and a showcase for pay-per-view (PPV) and pay-per-series programming. Each TV channel will be accompanied by a stereo audio soundtrack and second-language capacity. A series of additional stereo audio channels can be used for an array of "radio" services, presenting music and other audio programming that make full use of the digital transmission format. We also plan to deliver professional, business, and consumer computer software with a variety of teletext services transmitted in the video channels' vertical blanking intervals. Further market research and analysis will help to determine which of these elements should be part of the "basic" service and which will be available on an optional incremental basis.

## III. PROGRAMMING SOURCES AND ACQUISITION

The key to the realization of this plan is arranging for a continuing supply of programs from a broad variety of program suppliers. Propelled by the period of rapid growth and change in the communications industries that began in the 1970's, the current program marketplace is one of tremendous activity. Suppliers of programs of all kinds have organized pay TV divisions, selling their products to pay and basic cable, home video, STV, and now, DBS.

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The economics of program acquisition for DBS are not substantially different than for standard pay television. Although STC will acquire programs of many kinds from many different sources, feature films will be an important part of the schedule and are a good example of how DBS programming in general will be obtained.

In the last decade, the share of the motion picture studios' income from nontheatrical exhibition of their films became so significant that they established a standard and predictable progression of exhibition "windows" for their products. Following an initial theatrical release of several weeks to several months, a movie can be expected to appear in about six months on videocassette and videodisk for the home market and on pay-per-view systems. In another six months, it will be shown on subscription pay cable and STV and subsequently on national network television. After a year or two of network airings, the film will be syndicated to television stations across the country and, increasingly, returned to pay cable as a "classic" or "movie great." In recent years, the networks have replaced much of their feature film schedules with lower-priced "made for TV" films, a trend which has also reached pay TV with HBO's introduction of "made for pays."

In the past, the large majority of motion picture studio revenues came from theatrical showings, with some additional income being generated by network and syndicated television sales. When the studios began to sell large amounts of their product to cable programmers, their pricing was based on the model for theatrical exhibition, in which the studio took 35-40 percent of the gross ticket sales. Because of the difficulty of precisely determining pay cable "admission" per showing, pricing has evolved through negotiation to a variable license fee on a per film, per subscriber, per month basis, with fees for a moderately successful picture averaging about \$0.30. For a film which performed poorly at the box office, this fee might be as low as \$0.05; for a "hit" such as a *Star Wars*, this fee can exceed \$1.

This system is advantageous to both parties because prices are based on actual performance, both in the theatres and, cumulatively, on pay TV. It also allows the pay television programmer to create programming budgets based on a variable share of subscriber revenue model. This has been shown to be far more practical in a start-up operation than spending large amounts of fixed capital buying or producing programming, something which services such as CBS Cable and The Entertainment Channel found out the hard way. DBS programming will, of course, come from many different sources. In addition to the major Hollywood film studios, we will buy rights to programs from independent American and international film and television production companies, distributors and agents, ancillary sales divisions of networks, record companies, software producers, and other programming services in both basic and pay cable.

Another source of programming besides acquisition of rights to existing programs is original production or

coproduction. This has the advantages to the programmer of control over theme and format and the option of exclusive presentation. However, the production costs of up to \$800 000/h for a network quality dramatic series, for example, make substantial amounts of original production a poor use of start-up capital. The increasing opportunities for sharing both production costs and exhibition rights with coproducers allow for a certain amount of original production in the first several years of system operation, and STC is engaged in such program development in a number of areas.

#### IV. PROGRAMMING SYSTEMS

The mechanics of selecting, buying, scheduling, and preparing a variety of programs this diverse, and this large, is a complex undertaking. Once again, a look at the treatment of the film segment of typical pay programming is a good example of the operation as a whole.

Instead of selecting the few from the many, the goal of film acquisition is, ironically, to find and buy as many movies as possible. The Hollywood studios and independents produce only 250-300 features per year, with perhaps another 100 coming from England, western Europe, and Australia. With 327 two-hour slots to fill on one channel each month, the tasks of an acquisitions staff are first, to fill those slots, and second, to do it as well as possible within the limits of budget and product availability.

Like any other modern complicated business, programming relies heavily on the use of computer systems. The starting point for film acquisition is the program availability database. This is a computer file in which the output of the film companies, past, present, and future, is tracked for availability, cost, genre, stars, and length. Based on information in this database, acquisition specialists review the statistics and screening copies of the films themselves and evaluate them against the programming department's budgets, schedule plans, editorial policies, and past acquisition patterns.

The acquisitions staff negotiates the terms of the broadcast license with the film suppliers, usually within the existing limits of a general "umbrella" agreement. Contracts are prepared and executed for each title or group of titles, specifying number of exhibitions, price per subscriber, length of the license, technical requirements for the film's physical materials, and details of its delivery.

As a contract is executed, the key points of the license are entered into an inventory file, which contains all pertinent information on a title, including contract abstracts, length, format, quality control status, and available showings. The information in this database is, in effect, the raw material for the program schedulers.

Since each time a title is acquired, or scheduled, it has a significant impact on budgets, program and technical operations, finance, business affairs, on-air promotion, and marketing, very careful coordination and sharing of infor-

mation takes place between these areas to ensure the successful broadcast of an acquired program. As a film is bought, program operations and technical operations begin the work of getting the physical material for the film, such as prints, negatives, and tapes, in house, formatted, and prepared. Information on the film's quality control status is continually updated in the inventory file to prevent final scheduling of a title which is not ready for the air. As a title is scheduled, its impact on the budget can be modeled in a variety of configurations and evaluated in light of alternative choices. When it is in fact scheduled, information from the availability and inventory files is used by marketing and on-air promotion to develop plans for the film's advertisement within the service and to the public at large. As it is broadcast, the same information is used to automatically produce accounts payable lists in accordance with the terms of the contract. Also, the exhibition information in the inventory is updated to reflect the film's use.

The main features of the program schedule are assembled from three to six months ahead of the air date, giving ample time for delivery and preparation of broadcast tapes, budget revisions, production of promotional spots, and general marketing. As the air date approaches, the operations area of programming prepares detailed broadcast logs, which contain the complete continuity of each channel for every broadcast day. Adding to the features themselves, the broadcast logs include scheduling information for promotional pieces, graphic elements, consumer scheduling information, and filler pieces such as cartoons, shorts, and rock videos. These logs are the "menus" for personnel at the playback and uplink centers to follow and are programming's final specifications for what will appear on the subscriber's TV screen.

STC (like many DBS operators are expected to be) will be unusual compared to "terrestrial" pay television programmers because of the number of channels that will be supplied. While this number will obviously be less than the 20 or 50 channels offered by many cable operators, STC's six channels are, for a program service, unique. The ability to program and schedule six parallel channels 24 h/day will give DBS an extraordinary flexibility to maximize the viewers' choices by vertical and horizontal day-part-oriented counterprogramming. What this means is that the primary focus of the individual channels can change at various times during the day to respond to the changing constitution and interests of the viewing audience. The viewer who does not care to watch live sports, for instance, can find feature films or music programs without switching off the service. Within the movie channels, the viewer who is not fascinated by the action/adventure feature on Channel 1 at 8:00 can find a romance or classic on Channel 2 at the same time. The majority of children's programs might be presented on a channel in the early morning, late afternoon, and weekends, when children comprise much of the available audience, while the programming on that same channel will change to lifestyles and general entertainment during the middle of the day.

## V. PROGRAMMING INNOVATION

The areas of DBS programming that may have the most potential for innovation are those made possible by universal addressability. The growth of PPV, or incrementally priced pay television viewing, has been severely restricted by the shortage of addressable cable converters in American homes. Of the 36 million subscribers to basic cable service, less than 6 million, or 17 percent, have any sort of addressable hardware. The success of PPV programs in those systems that do have addressability has been hampered by generally fragmented noncomprehensive marketing efforts. All of STC's equipment will be individually addressable, enabling us to be the first broadcaster to program and market PPV products on a national scale.

PPV programming to this point has focused on two elements: early availability of hit movies and occasional major sports events, usually prize fights. Film companies make most of their successful movies available for PPV concurrent with their release on video cassette, which usually precedes their release on subscription pay TV by six months. Many customers will pay \$3-5 per film if it is of exceptional interest or quality and if they can see it appreciably sooner than its appearance on HBO or similar services.

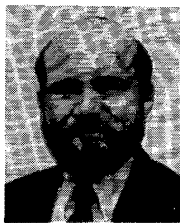
In spite of its present limitations, the studios have high expectations for PPV's success, and for its eventual value to them, and are experimenting with placing the PPV window ahead of the videocassette release.

The general availability of incremental buying of TV programming will also increase the chances of success for special interest programming. Simply because of the fact that it is special interest, programming in the cultural, professional, personal improvement, "how-to," and other areas has not been particularly successful for broad-based subscription or advertiser-supported broadcasting services. Early attempts at presenting "magazine rack" programming schedules on some interactive and addressable cable systems failed because of the small subscriber population. For PPV programming, 5-10 percent penetration is considered good, but in a cable system of 300 000 that level of interest will not justify the high production, broadcasting, and marketing costs of PPV programming. With STC's projected subscribers numbering in the millions, these same percentages may very well support a wide variety of DBS program choices. Economically, the standard model for acquisition of all kinds of PPV programming is for the programmer to pay no initial license fee, but to share gross PPV revenues with the supplier. The supplier pays production costs, while the programmer is responsible for broadcasting and promotion expenses. Using this model, a programmer can schedule an array of standard and unusual PPV programs without having to invest large sums in their production.

Combined with addressability, the "high-tech" features of STC's programming, made possible by a wide-band delivery medium and microprocessor-based receivers, will

increase the new choices available to subscribers. Products such as personal computer software, video games, and "pay-per-listen" digital audio recordings can be offered to DBS subscribers at attractive "per-use" prices which will not include the usually hefty packaging, distribution, and retailing costs.

Taken on whole, DBS programming can include the best of currently available pay-television entertainment programming and innovative, perhaps experimental, offerings of PPV, special interest, and advanced technology products. STC's plans include both, and our expectations for success in a considerable range of programming areas are high. These DBS programming plans are based on the best available research, thoughtful consideration of current and past trends, practical economics, and creative exploitation of our system's technical features. The imperative is to provide the subscribers with "television worth paying for."



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He is Senior Vice President, Programming, of the Satellite Television Corporation (STC), a COMSAT subsidiary. He joined COMSAT as a senior consultant in 1978, and was instrumental in developing the concept of broadcasting pay television directly to the home by satellite. He has also served numerous pay television and cable companies as President of Richard M. Galkin Associates, a consulting firm. He has worked in the pay television and cable industries since 1966, when he was CATV Operations Manager for Time-Life Broadcast. He has been responsible for a number of innovative business and programming ideas. In 1970, as President of Downe Broadcasting, he developed one of the first advertiser-supported cable programming services. As President of Manhattan Cable Television in 1973 he was responsible for the first commercial test using a cable system for data transmission. From 1977 to 1978 he was Executive Vice President of Hollywood Home Theatre, a joint venture of Twentieth Century-Fox and United Artists.