

Golf, Disney have dual personalities

Both combine premium and basic carriage

By Michael Katz

The Disney Channel and The Golf Channel want it both ways.

The two channels, which were launched as premium pay services but found it too difficult to remain that way, have since embraced the idea of being carried mostly on basic while maintaining their pay status on some systems. The result: the hybrid premium/basic channel.

But neither considers the transfer from pay to basic a sign of defeat. "We were the fastest growing pay business," says Charlie Nooney, senior vice president, sales and marketing, The Disney Channel. "So it's not that we were failing in pay, we just found that in certain markets it was underutilized. [We have] taken what was a thriving business and made it more so."

In fact, from the networks' kudzu-like subscriber growth since going to basic, the move seems a savvy one.

The Disney Channel had slightly more than 7 million pay subscribers at the end of 1992, when it gave the nod to cable operators to carry it on basic.



Disney Channel's 'Avonlea' now may be seen on basic cable on many systems.

In August, the channel claimed its 20 millionth subscriber, 15 million of which receive the channel through basic service.

The Golf Channel was only nine months old, with 140,000 pay subscribers, when it entered the basic field in September 1995. One year later, the

channel boasts 4.2 million subscribers and expects to end 1996 with 6.5 million-7 million subscribers.

"Going to basic has been very good to us," says Joe Gibbs, president of The Golf Channel. "If we hadn't switched, we probably wouldn't be here today."

Since the switch, 70% of The Golf Channel's subscribers get the channel through basic, 20% come from tier services and only 10% from a la carte services that range from \$3 to \$6.95.

With the crossover of customers from pay to basic comes an obvious loss of revenue—between \$3 and \$6.95 a month per subscriber for The Golf Channel and \$5.95-\$9.95 for Disney.

The channels have found different ways to more than make up for it. The Disney Channel, even on basic, has remained commercial-free, but has increased its cost to cable operators; The Golf Channel is making up the difference by selling airtime to advertisers.

The reasons for going to basic range from market demand to competition. The Golf Channel may have proved to be too much a niche network to sustain itself as a pay service. "I don't think you'll see a lot more a la carte launches of niche services," says Gibbs.

The success of the 64 million-subscriber Nickelodeon on basic may have deterred consumers from paying extra for Disney, although Nooney isn't convinced. "I don't know if it has anything to do with Nickelodeon. It's more the competition in the marketplace that cable operators are facing." ■

Pay services add value with multiplexing

Pay services are using multiplexing—multiple versions of a pay channel at no extra cost—to overcome consumer resistance to spending money on television.

"We created multiplexing because consumers who saw their basic rates go up consistently were questioning investing more money in just one more channel," says Dan Levinson, vice president, product development and marketing operations for HBO. "If we can add a couple of channels and not charge them for it, then more people will subscribe and stay longer."

Levinson says HBO is multiplexed on 45% of the systems that carry it, with that figure expected to hit 50% within months. As of Dec. 15, HBO will have four feeds on both coasts and two Rocky Mountain feeds—making it the first cable provider to have a feed in that time zone. HBO also will have two feeds on Cinemax in each of the three continental U.S. zones. HBO mixes the movies on its additional HBO channels for variety, with one version devoted to family viewing.

Encore, another pay service with a multiplex strategy, employs "thematic multiplexing"—a variation of HBO's method, except that each of its channels represents a different genre of films. The genres are divided among romance, westerns, mysteries, action, true stories and drama, and WAM! America's Kidz Network.

Multiplexing seems to some like the egg coming before the chicken. It was supposed to be a result of the digitalization of cable. But multiplexing is here, while digital is still waiting at the station.

"We're surprised that it happened," Levinson says. "We thought it would work when [cable went] digital. But the cable operator experimented with it and liked it."

Although multiplexing was created to give the customer additional value, it has done even more for the networks. "A third of my business is from thematic multiplexing, and yet it is only in the new rollout of DBS," says Encore Media President John Sie. "Can you imagine when cable rolls it out? Our future is very good." —MK