

pay-channel, Festival, to 850 homes. The service has no "R-rated material," said Fuchs. "We will stay away from the sophomoric and the violent." Part of the current testing is to see how it should be priced, said the HBO Inc. chairman, but he judged it would be priced similarly to HBO and Cinemax. There is a chance HBO will roll it out more quickly than initially planned, he added.

Subscriber levels for the first three to four months of this year are "down a little," said Fuchs. The HBO chairman acknowledged that pay subscriber levels were being affected by VCR's: "I don't know how dramatically." As for the deregulation of basic rates, Fuchs said, "If the cable operator is licking his lips on basic and not paying enough attention to pay, I think that will straighten itself out. Until then, it will be the second, third and fourth pay tiers that will suffer," said Fuchs.

Showtime/TMC continues its exclusive movie policy

Showtime/The Movie Channel Inc. has generated some doubts with its recent strategy of signing exclusive contracts for theatrical films with Hollywood studios. But rather than retreat, the pay cable subsidiary of Viacom announced yet another exclusive deal at the National Cable Forum, this time with Dino DeLaurentiis for 10 films.

Peter Chernin, Showtime's executive vice president of programming and marketing, said that with other recently signed exclusive contracts, including those with The Cannon Group, Touchstone Films and Atlantic Entertainment, Showtime/TMC now had available 40%-50% of Hollywood's film product. Consumers' realization that they will miss that number of movies if they do not subscribe to Showtime/TMC will take "quite some time," but Chernin said the company would try to accelerate that process and was "looking to develop a significant consumer advertising campaign that will probably develop in the fourth quarter."

Showtime/TMC has not bought a duplicated movie this year, said Fred Schneier, senior vice president, program acquisition and enterprises. And it intends not to buy any movies from Warner Brothers, which recently signed a nonexclusive agreement with HBO (Showtime's decision could raise the cost to HBO for the Warner movies.)



De Laurentiis



Chernin

Justifying the exclusivity strategy, Chernin said, "Our research and clearly the research of every cable operator we deal with shows the major problem of pay services to be repetition and duplication." What differentiates the current strategy from previous exclusive contracts is its goal of a "critical mass" of programming. Said Schneier: "Exclusivity only makes a difference when you are long enough and strong enough." He said the contracts would give Showtime/TMC 200 films over the next four years, or enough for an exclusive film every week, and that the company intended to have all its first-run movies as exclusives by 1990.

The senior vice president said exclusivity would reduce the pressure to "front load" films, running them as soon as the studios released them to the pay window, allowing the pay channels instead to run them when they were most appropriate.

Chernin said that exclusivity was clearly a strategy for a second-place service, and was an attempt by Showtime to get into the roughly seven million homes that HBO has to itself. "There is nothing wrong with multipay; you just have to be able to show a differentiation among the services."

Officials of The Movie Channel discussed the *VCR Theater*, a regularly scheduled movie block designed for subscriber taping. Josh Sapan, senior vice president, marketing and creative services, said the 3 a.m. movies were "designed to combat business lost to video rental stores." Another new development at the all-movie channel was the increased use of hosts for the movies. Jim Miller, senior vice president of program planning, said The Movie Channel has now gone to weekly scheduling, with 15-20 movies shown "during the course of that week that then will go away for quite some time."

Disney to boost production of original material, double its purchases of feature films

Executives of The Disney Channel told the National Cable Forum that the pay service was the fastest growing in America, its ratings were high and churn was low. Yet the channel's newly appointed president, John F. Cooke, said scheduling and programming were still being juggled because it could not afford to rest on the Disney name's attraction to viewers.

Cooke said that at the end of 1985 there were 2.55 million subs, and that each month of this year has seen an increase. Cooke said that viewing of the channel in Disney households—two-thirds of which have children, twice the national average—is higher than that of any other option, including the broadcast networks. Concerning churn, Cooke said information provided by cable operators did not give an accurate assessment, but Disney, because it is the only cable channel that provides a monthly magazine to its subscribers, is able to track and question subscribers using the magazine's mailing list. Disney's research indicates that the channel's "churn factor was low compared to other pay networks."

Stephen Fields, vice president, consumer marketing, said that VCR's apparently were not a significant threat to the channel. "Well over half of our subscribers currently have VCR's. In recent promotions over half of new subscribers already own a VCR."

Nor, said Cooke, was there a danger of overexposure of the Disney name from *The Disney Sunday Movie* on ABC. "Twenty-two-plus million Americans get to see that there is a contemporary Disney product. To the extent that people begin to believe that Disney is a contemporary place for television... then I think it helps us."

Original programming currently constitutes 40%-45% of Disney's programming which Cooke said he would like to see "enriched just a little bit." New production efforts for the channel will include two situation comedies, six made-for movies per year and two children's program series, one for pre-school (ages 2-5) and one for ages 8-11.

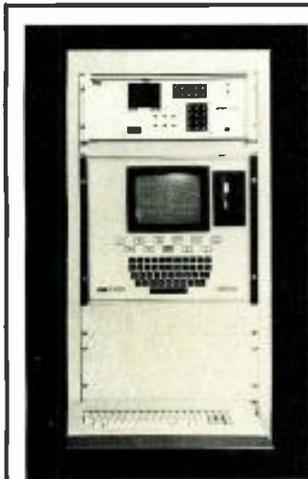
Bruce Rider, vice president, programming, said that The Disney Channel would be buying "twice as many films as in the past, more recognized films and exclusive. We feel that by being a new competitive buyer we will stimulate production of all kinds of children's films." Cooke said that Disney's competition for purchasing family programming includes Showtime, HBO, WTBS Atlanta and CBN.

Rider also said that the channel had made some scheduling changes to more sharply define programming by dayparts. "It is our feeling that pay television scheduling has not been as consistent as could be."

USA working on more first-runs; may bid for NFL TV rights

USA Network began showing first-run programming for the first time last year, and is pleased with the results. "It is our intention

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