


www.bloomberg.com/tv


SEARCH

submit

Search Inside.com & all Media Central publications.

[More Search Options](#)

Content's King

Jamie Kellner controls Turner's programming riches. What he does with them could speed up--or slow down--the transformation of television.
 by Staci D. Kramer

Cableworld
 Monday, April 29, 2002


[PRINT THIS ARTICLE](#)

Log in:

Username

Password

Submit

Reset

[LOG OUT | REGISTER | CART | MY ACCOUNT | HELP](#)

CableWorld

- [ABOUT US](#)
- [SUBSCRIBE/RENEW](#)



A big piece of the future of television is in the hands of Jamie Kellner. Kellner, a launcher of broadcast networks, sits atop the empire built by Ted Turner, who acquired programming libraries and turned them into cable leaders. Now Kellner must steer Turner's networks through a media recession and find the best way to exploit the company's vast resources in a new era of television, filled with digital promises and opportunities.

This time last spring Jamie Kellner was at the center of intrigue. The new chairman and CEO of Turner Broadcasting System was brought in just as the company was reeling from the wave of layoffs and cost-cutting that came along with the AOL Time Warner merger. Kellner, who launched and was running the WB, was handpicked by AOL TW co-COO Bob Pittman to run the company's ad-supported television properties. Pittman told Cable World that, in Kellner, he had someone with "terrific vision for where the network industry is headed," someone who could push Turner forward.

Kellner helped make Fox the fourth broadcast network and created the fifth network, the WB. He was responsible for putting the risqué Married With Children on Fox. Kellner also had the sense to put the Aaron Spelling family show 7th Heaven on the WB. His new Turner reports wondered how he would apply those skills and sensibilities. How many more heads would roll? And just where would the WB fit in?

A year later many of the faces on the air at CNN and the revamped Headline News have changed, but most of the people running the show, including Turner Entertainment's Brad Siegel, are the same. Kellner brought with him Garth Ancier and Brad Turell, but Cartoon Network powerhouse Betty Cohen, who left for a mysterious in-house project, was replaced from within. The biggest change came at CNN when News Group chairman Tom Johnson suddenly resigned--totally his idea, says Kellner--and was replaced with Time Inc.'s Walter Isaacson, who brought along heavyweight journalism credentials combined with his rep for energizing Time magazine. The rebranding of CNN was already underway when the terrorist attacks of Sept. 11 and the subsequent war in Afghanistan changed the dynamic of cable news. As AOL Time Warner touted in its mixed first-quarter earnings report, CNN was up 55% in total viewers and 50% in ratings year to year, while Headline News jumped 29% in total viewers. Fox News Channel may be winning the battles for ratings and publicity, but CNN's improvements are considerable.

On the entertainment side, Kellner was given the chance to experiment with spreading the same content across multiple channels. The WB started to feed shows like Charmed to TNT, and the results have encouraged more of the same. He also set up a second in-house studio to create content for TNT, TBS and the WB.

While Pittman focuses on underperforming AOL, at least he doesn't have to worry about Turner. "In just over a year on the job, Jamie has worked with the teams at CNN, TNT, TBS, Cartoon Network and the WB and our other programming channels to further extend these powerhouse brands and foster even closer collaboration within our expanded Networks Group," said Pittman.

In an interview at his CNN office in Atlanta, Kellner discussed the last 14 months and his plans for the future. The following is an edited transcript.

CW: How is Turner doing now?

JK: I think the entertainment networks are in great shape. The growth of Cartoon and



PICK A SUBJECT - like "Pay-Per-View" or a name - like "AOL". Enter it in the search box and the Cross-Content Search will provide a listing of current and past articles from Inside.com and all Media Central publications.
[SEARCH](#) ▶



[Folio Gemstar-TV Guide Exec Predicts Staying Power](#)
 Despite efforts focused more on developing its interactive program guide in recent years, new Gemstar-TV Guide International Inc. co-president and COO Jeff Shell said the magazine brand is a key component to the company's strategic plans going forward.

[Kagan World Media DVD Boosts Sell-Through in 2001](#)

If there is any question about what DVD is doing to the home video industry, one need only look at the sell-through numbers for 2001 to get an idea. In our latest study we examine statistics for titles in 2001 that went sell-through in VHS and see how their VHS revenue has stacked up against DVD revenue.

[Book Publishing Report RD's Book Biz Denies Rumors Of Its Demise](#)
 Reader's Digest,

hooking Cartoon and WB with the Warner animation studio and Cartoon studio--I think our kids business is going to be strong. I like the kids business a lot, so that's a fun one. We've put a lot of new programming on CNN, and we have Connie Chung's show still to go on and a lot of upgrades in our facilities and other little changes we're making, so I think we're going to keep working really hard on CNN, and with what's going on in this world right now, it's going to be a pretty iffy place for a while. CNN International is an important part of that. We've been trying to get into native tongue, and I think that's a place where we can do it with partners, where we bring in our global newsgathering, our expertise, marry it with their expertise, and I think that's a good strategy.

which overhauled its North American books operation last summer, is making still more changes to the U.S. arm of the division, in an effort to stem the losses that continue to plague the business.

CW: When you got here did you feel the lines for each network were clearly defined?

JK: From a content standpoint, yeah.... The great thing about the Turner Entertainment networks is by having Ted be the visionary--who in many ways helped lead the cable industry into the cable programming business in a bunch of different categories--we're 'first in' in a bunch of different categories. Ted loved programming, so he was always willing to have the company invest so we were able to get out in front of everybody else. By adding funds, bringing TNT in as well, all of a sudden we had more shelf space, more capacity for programming than any other networks. What's going to happen in the next couple of years at TBS as we add all the sitcoms is there's not going to be anyplace anywhere over the air or cable where you can get as high a concentration of the very best sitcoms as TBS.

CW: Is this like a modern TV Land?

JK: This is different because TV Land took programming from the shelf and said that there's still value in it.... The fact that we continue to step up in the outside marketplace and buy packages is an example of what we have done in the past and what we plan to do: We want to have the best.

On the original programming front we've restructured ourselves into a model we think will be far more efficient and lead to better programming. We have a lot of experience between all of us in making original programming.... The cable industry has a disadvantage because the way you get to the hit shows is by developing a lot of product, and out of that gigantic development process of 100 scripts you'll end up making 20 to 25 pilots and out of the 20 to 25 pilots you may make five to six series and out of the five to six series you may get one or two shows.... The broadcast networks--that's been their model. The cable model has been to start out with a limited number of made-for-television movies, go to 13 episodes from a script, bypassing the pilot process because they haven't had the resources available to heavily invest in program development. There has been less original programming that has succeeded, that has become a hit. Certainly South Park became a hit in many ways and propelled [Comedy Central] forward. I'm not suggesting that there hasn't been a quality effort, but I'm suggesting that the odds are against you that you'll have that big hit.

CW: What are you seeing come out of the studios?

JK: There's a couple of pieces I think are very interesting. We've done a pilot of The Lone Ranger, which is a WB development, but we're doing a two-hour movie. And since the two-hour movie easily fits onto TNT because of the success with the Western genre over the years, that one becomes a natural project where we could help finance the project by selling a couple of runs to TNT. It would have been much harder to do a two-hour movie without TNT there. When we see it my biggest fear about the Western is: Will it play young enough for the WB? If it doesn't and it's still a good show, it could easily play more broadly on TNT.

CW: Can cable networks afford to be more committed?

JK: Wait longer for something to develop? Definitely. The ability to play it multiple times is greater in cable.... In cable you can give it a couple of airings and try to get more exposure for it and the multiple airings will come up a larger audience.

The industry has now experimented with multiplexing, and the results so far say that you can play programs on two different networks and get more new viewers to watch them.... Most industries that don't pay attention to satisfying the demands of their customers fail. You have to realize that television has changed dramatically as much as any other industry I can think of in the past ten to 15 years. American lifestyle has changed dramatically. People are on the Internet a lot, out of the home a lot, having families at a different age than they did ten to 15 years ago. The idea that you can put programs on once a week and expect them to reach their full potential of popularity and their full audience is a joke. If you're interested in satisfying the needs and desires of our customers, we have to offer them multiple times in the week, and that means probably across multiple networks, because the broadcast networks do not have the shelf space to play their program many times during the week.

CW: When you started in your current job, Headline News was on the verge of being remade.

JK: They hadn't really started yet. It was the allocation of resources where they could really make it over versus trying to tinker around with it. The company really hadn't really separated Headline News from CNN, hadn't tried to differentiate the mission of Headline News from CNN, so the two networks had similar demographics, and the resources that would enable them to do what's on the air today weren't available.... The good news is that [CNN/U.S. EVP and general manager] Teya Ryan was someone who was well worth making the investment in, a very imaginative thinker, a very passionate hardworking person, someone who's willing to take chances--and a quality journalist.

CW: Have you had to have conversations with the folks at AOL TW--with Bob Pittman or anybody else--and explain why CNN doesn't have Fox News Channel's numbers?

JK: They wouldn't want CNN to go there. There's nobody who's a better believer in the power of brands than Bob Pittman. I've done a lot of different kinds of television shows over the years--some of them very responsible and respectful [like] 7th Heaven [and] shows like Married With Children and Cops. I think you can put all different kinds of shows on the air.... That's the beauty of television...advertisers are willing to pay much higher premiums to reach certain groups of viewers than other groups of viewers. There's a reason. In the news business, people pay for credibility. They always have and they always will.... CNN is the credible source in this country, and advertisers support it because of that.

CW: Have you had any pressure from advertisers?

JK: Our business is so much better this year than it was last year--it's remarkable. Rates are higher. Our CPM is up above scatter last year. Business is starting to get healthy. Scatter is well above the pacing of last year.... The CPM dropped significantly the previous year. So when you look at the end of the year, scatter is not going to go up enough to mitigate the lower prices for the upfront, so you're not going to end up with a top season. But if you compare scatter this year to scatter last year, the market has definitely firmed. There's more money in the market, and the prices are going up.

CW: The broadcasters--especially when it comes to sports programming rights--say the cable networks have it easier because of their dual revenue streams. Do you feel like you have a certain cushion there?

JK: I don't think so at all. I think just the opposite.... I think our company believes that it has to act responsibly to the cable industry maybe more than other network providers that don't own a big piece of the cable industry. With the basketball contract, I was ready to walk away from the NBA deal. Not that I would want to; it's a valuable franchise. If we couldn't have created a deal that had enough value in it for us and the operators, I would have walked away. The enhancements in our contract--I watch a lot of basketball, but for me when we get to postseason play is when I get really interested--and the enhancements to the package on postseason play are extraordinary. I think by having a multiyear package--the All-Star Game and All-Star package is an event that we will be able to make a really important event on cable, one of the most important events of the year that's exclusively on cable. The fact that there will be no games played against us on Thursday night--we want to focus and promote Thursday night into a basketball event much like Monday Night Football is a football event.

CW: How does the proposed AOL-NBA network fit in?

JK: If the cable operators are interested in supporting another sports network, that with David Stern and ourselves we could over the next three to four years become a formidable competitor in the category. If that's in the interest of cable operators, they'll support the plan; if it's not in their interest, they won't support it. David is out there discussing that with them today--meaning right now.

CW: There's a feeling among cable operators that if the guys who own the teams and own cable systems aren't going to get behind this, it's just not going to work.

JK: This is something David's been talking about a long time. It requires the support of the major cable operators, and if they think the business is worthy of being entered into, I'm sure they'll give David every opportunity to understand the strategy, understand where it's going. And my guess is they would like to be supportive of something the league is involved in if they are in business with them already. If they don't think it makes sense for them, for their other businesses, then they'll say no.

CW: How did you get Time Warner Cable on board?

JK: I think there's recognition in the company of an opportunity. We have a lot of assets and we can afford to invest if we want to in that space. We know we can't do it without Comcast, Cablevision, Charter and others that have to be interested as well. David Stern has a unique relationship with a bunch of his owners. If he can't get them to sit down and say, here's what the opportunity is and it's a good opportunity, if he can't get them to agree to it then who could?

CW: What are the dynamics like now with you and the other pieces of AOL Time Warner?

JK: We're all running our own businesses, certainly, but where something makes sense for one part of the company it's a lot easier to go in with the good relationships that exist throughout the company at this point, because we all sit together every two weeks. I know [Time Warner Cable chairman and CEO] Glenn Britt very well through that. I didn't know [former Time Warner Cable CEO, current CEO of AOL TW's Interactive video division] Joe Collins. Joe was in here for lunch last week, but we didn't spend a lot of time together. Everybody was off running their own businesses. Now every two weeks we sit down together. We have breakfast together, we work together. We share each other's good news and bad news, usually in New York. I think in many ways that has broken the ice...between the divisions. Instead of festering, problems are put on the table, and we find resolutions. I think everybody is certainly rooting for each other. At the end of the day we're responsible for our bottom lines, which means we have to operate our businesses wisely.

VOD's Ad-Skipping Irks Kellner

Jamie Kellner would be the first to tell you he is no VOD visionary. What he is, though, is the chairman and CEO of Turner Broadcasting, which puts him in charge of what could be one of the most potent collections of VOD content anywhere.

The eclectic catalogue spans CNN's multiple networks, Turner South's cooking show from Commander's Palace, the TNT library of original movies including its successful Westerns, The Powerpuff Girls, WB hits and sports along with series being developed at two Turner studios. It's a VOD library few, if any, cable or broadcast entity could match.

And yet, ask Jamie Kellner about the opportunities (or challenges) for his company and VOD won't crack the top of his list. He's still too busy making the most out of today's reality: opting for multiplay and multiplex, which he describes as the low-tech way to offer multiple viewing options, creating more network-owned content, pumping up the networks Turner already has (particularly CNN).

If and when Turner gets into VOD in a serious way, it will be pushed there by MSO demand. Think reactive, not proactive.

That doesn't mean Kellner is ignoring the potential of VOD. Far from it. Along with creating and owning content comes control. Outside contracts increasingly include VOD clauses--TNT, for instance, has VOD rights during the windows of some of its exclusive movies.

It's just that he has little patience or time for something that after more than a decade of buzz has finally graduated to trial status.

While Kellner was building two successful broadcast networks--Fox and the WB--and amassing Acme Communications, his own chain of television stations, VOD was on the industry list of next big things (think PPV, ITV, HDTV) that never quite happened. (One network executive recalls graduating from business school 13 years ago when "pay-per-view was just about to explode as a business.") Like the Eiffel Tower, which looks like it's just around the corner even when it's miles away, VOD was an optical illusion of sorts.

Now VOD is part of the alphabet soup that makes up the jargon of cable these days. Kellner talked to Cable World contributing editor Staci D. Kramer about VOD and his concerns about PVRs.

CW: You said earlier that you're getting to know the cable operators better.

JK: This is my second year on the NCTA board, and I've gotten to know some of the guys by going to board meetings and listening carefully, trying to hear more about what their needs are.

CW: What do you hear?

JK: I would say that everybody's focused on costs.

CW: They're looking for alternative revenue streams.

JK: We sell that hard. One thing about our networks is they sell well. They're well branded, so it's easier for the local sales people to sell our networks. And delivering marketing plans and promotions and things that help the operators sell their inventory is important to us.... I think what's going to be on the digital tier is important to them.

CW: Where do you fit into that? Offering alternative product for the digital tier? Making it possible to move material to digital from analog?

JK: I don't think you want to move your product from analog to digital unless you have very narrow networks that are supportable on a digital tier. Most of ours are much broader networks than that. What is the programming model going to be in digital? What can you afford to produce and do with a high enough quality level to satisfy viewers on digital? There's probably going to be a lot of multiplexing and time shifting and things like that that provide a lot of convenience like HBO provides to its subscribers.... Taking our networks TBS and TNT, multiplexing them, taking the sports out, putting the movies in prime time--there's ways you can repackage our networks that would add a lot of convenience for people as well.

CW: How do you do that without destabilizing the current model?

JK: How would that destabilize it? We'd be running the exact same spots. It would all be incremental viewership. That's just one idea. I'm a big believer we have to make television more convenient or we will drive the penetration of PVRs and things like that, which I'm not sure is good for the cable industry or the broadcast industry or the networks.

CW: Why not?

JK: Because of the ad skips.... It's theft. Your contract with the network when you get the show is you're going to watch the spots. Otherwise you couldn't get the show on an ad-supported basis. Any time you skip a commercial or watch the button you're actually stealing the programming.

CW: What if you have to go to the bathroom or get up to get a Coke?

JK: I guess there's a certain amount of tolerance for going to the bathroom. But if you formalize it and you create a device that skips certain second increments, you've got that only for one reason, unless you go to the bathroom for 30 seconds. They've done that just to make it easy for someone to skip a commercial.

CW: What if I'm using my PVR to rewind a story on CNN or pause during Moneyline With Lou Dobbs? That's good for you, isn't it, if I can keep watching the network when I might otherwise miss the shows?

JK: Is it good for me? It's good to make it easier for consumers to watch the programs they want to watch. I'm not opposed to consumers getting a program without commercials in it. But they have to create a new model that charges them for that programming the way HBO charges them.

CW: Operators are putting PVRs in their boxes. A lot of people are getting into this concept and operators are saying, hey, if people are willing to pay for SVOD give us something we can sell. How do VOD and SVOD fit in with Turner?

JK: Our company is working on a number of different VOD models. The question's whether these are going to be head-end-based models or in-home models and whether ultimately there's going to be a license required for use of the copyrighted material, or whether people make a bet the Betamax case can cover this usage. My bet would be the Betamax case is not going to cover this usage. What was a highly questionable decision with the new technology will not stand up to the potential of the digital world. Whether there's going to be a challenge or whether it's going to be legislation, there's going to be some way in the digital world that we can protect copywritten material. I think that that's inevitable.

CW: The New York Times has an electronic edition that disappears a certain time after it's downloaded. Do you see a possibility that I download that show and you give me a license to watch it three times and then it disappears?

JK: Again, I think that whether it's legislation, whether it's new technology, whether it's challenging Betamax, whatever it is in the video marketplace, we're going to have to find a way to protect copywritten material or there will be less of it made or it will not be made available in windows where it's not protectable and that's not good for consumers, so there's got to be some way it's protected. The audio marketplace--Napster and other companies had a great game going. They figured out how to use the Internet to give music away that they didn't own and make it into a business. Everyone was planning on getting rich there at one point. The companies that are financing and own copyrights stepped in and challenged it, and it's not a very rosy picture for them right now. I think the idea of copyright is very important--and it's respected by the courts and our government--and as people realize the potential of what the Internet with digital can do in terms of distribution, I think there's a good decision to be made that will protect the copyright.... Someone's going to have to recognize that once we've entered the digital world people can send out perfect copies without any costs to large numbers of people in many different territories of the world [and] can dramatically disrupt the system that we've built that allows us to produce and distribute content and pay for it and make...a profit in the investment, and that has to be addressed.

CW: Assuming this is dealt with satisfactorily and you feel comfortable with the way content is being distributed digitally, what are some of the models that might work for a Turner?

JK: We have classic films. We have Western films. We have a lot of different things. We have original films every year that could go into VOD. There's a lot of stuff that could go into VOD. We also have exclusive windows for pictures that can go into VOD while we have them. I think there's a lot of product in our networks that could go into VOD.

CW: Would it be a revenue-sharing model that would work best where every time I download something you get money and the operator gets money?

JK: I think that these are new rights that have not yet been exploited, and viewers are going to be moved eventually to the new service. So I've paid money to exploit that picture on my service, so I'm not going to let anybody else do it unless I've recouped whatever loss I would have and make some money. The studio that has the copyright that's licensed it to me is going to say that they need something or they don't want you to do the deal, or they're going to tell you "you don't have a right to exploit this new area," and I would say they'd be right as well. The cable operator is going to say that this is a new service that they're making available and they will be entitled to make a profit. It's going to require a lot of cooperation from a lot of different people to do it. At the end of the day, though, it'll provide customer satisfaction for cable, more use of the cable service and that's good for all of us. It's somewhat inevitable. Hopefully the ad-supported network will be protected...there was one button I heard of that could eliminate the entire commercial pod. That would just remove all the network's promotion, all the sponsors that paid for the film and obviously that's not acceptable to anybody.

CW: If cable operators are putting PVRs in their boxes would you like to see them make a decision that they're not going to put ad-skipping PVRs in?

JK: Yes. Yes.

CW: Is this something you've talked to any of them about?

JK: I've spoken out about this a number of times. Again, it doesn't handle the deal that exists. The only payment for a lot [of content] is the willingness of the viewer to watch the spot, the commercial. That's part of the contract between the network and the viewer. For anybody to step in between that content and encourage the viewer to disregard the payment in time that he's making--I think everybody should fight those people...or let the viewer have a subscription model where they pay for that, in which case the monies can be taken in and distributed back to cover the loss of the ad revenue. This is the time to honestly address it; also, for people to deal with it. If you think it's something that's good for consumers, give them the choice of either watching the commercials or paying incremental money for the service and make sure that people in the business understand the economic damage they can do by licensing this product.

CW: If VOD were delivered with all the commercials intact would that make you more comfortable with the concept?

JK: Yeah. The skipping of commercials is part of it. The second part of it is whether anybody has the right to take product and deliver it in a different way on a subscription basis by getting between the consumer and the network that owns the product with the service.

CW: What if you're cooperating with the delivery?

JK: That's fine. If I've made a decision to do it, I'm licensing them the product.

CW: Have you started to write in VOD rights in?

JK: Right now between networks and studios nobody wants to deal with it because there's no real money there yet, and so it's not worth fighting over quite yet. At sometime down the road when it starts to grow, they'll start fighting over it.

CW: In doing research for this interview one of the few mentions I found of Jamie Kellner and VOD was in a roundup that featured an NCTA session about the future of VOD and a story about Fox adding a third night of programming. Ten years later I'm sitting down to do an interview and we're still talking about the future of VOD.

JK: I can only give you the network side of it. The network side of it is to protect our business, protect our rights. We believe in the value of copyrights and the licenses that we've got. The other side of it is more of the Glenn Britt [chairman and CEO of Time Warner Cable] side, which is probably where you should go for the other side of this because mine is really not trying to get into the VOD business as much as making sure it doesn't adversely affect the businesses I've got.

CW: If operators say to you "we want it," then you're going to find a way to work with them.

JK: I encourage innovation, and I believe that we should try to satisfy the marketplace, make it as easy and convenient for people to get what they want out of their cable subscriptions, so I'm all for that. I'm for multiplex and multiplay because in many ways it does a similar thing, and it doesn't add in the cost of VOD. It's sort of half a step in the same direction for those who don't want to take the full step, and it's something that can be done relatively quickly and easily. But I'm certainly not opposed, and I encourage the idea of exploring new models with new technology that make it better for people. At the same time, we have to make sure we don't damage the existing businesses, whether it's pay-per-view business--what does it do to that on the cable side--and that we don't damage the advertising-supported networks, cable and broadcast.

CW: You were part of the fragmenting, in a sense, of the viewing audience by creating new broadcast networks. PVRs, VOD, even PPV, all of these things, are almost the ultimate fragmentation of an audience. If we're all watching at different times, we can't have that next-day "did you see what happened last night?" Does that change the way you have to deal with things as a programmer?

JK: I don't think it changes the way you make programming. I think it may change the way you market programming. If you have something you really, really believe in and you have a large installed base of PVRs out there, you may be willing to invest a lot more money on the launching and the marketing just to get the PVR/VOD viewer to go home and log in to receive the show because you can probably get a lot of additional viewership. If you're against tough competition, you could put a program against Friends and if there's a large PVR base you could try to pick up people who are still going to watch Friends, but will you watch the next half-hour, the next hour? You pick up People magazine and see this ad for a new show and you see a lot of promotion on the air and if it's a good enough idea maybe you go home and log in on your PVR. You may get very aggressive at promotion because you have two shots at getting people there versus one.

CW: Is there a problem right now because you don't know who's watching on a PVR? Does that hurt you when it comes to advertising?

JK: No. You're not getting any Nielsen credit for it so it doesn't help you. I think they'll eventually figure how to get around that, how to measure them if there's enough of them out there. They'll make sure they have a representative sample of PVR households.

CW: Operators are seeing an uptick in the amount of money consumers are willing to pay for extra services.

JK: You test it and you see if the consumers embrace it. If the consumers embrace it-- as long as everybody can get fully paid for their rights--I'm certainly not going to fight something that's good for consumers as long as there's distribution of the results.

[▶ BACK TO HOMEPAGE](#)

[▲ TOP](#)

[Contact Us](#) | [Advertising Opportunities](#) | [My Account](#) | [Help](#)
Copyright ©2002 Media Central. [Terms of Use](#) and [Privacy Policy](#) are applicable to this site.