



## **Mobile Video 2005: Is there room for a Mobile Ted Turner?**

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When Ted Turner founded a small station in Atlanta called WTBS in 1976, few besides perhaps Mr. Turner himself saw the beginnings of a media empire. Yet, through innovative programming decisions and high-risk financing Mr. Turner was able to triumph in an industry dominated by media behemoths. If Mr. Turner was able to succeed on the small screen of television, could a similar winning strategy be employed on the even smaller screen of a mobile phone? In this issue of Dynasty Perspectives we apply five lessons from Mr. Turner's strategy that a small upstart company should employ to combat large media players in the burgeoning world of mobile video.

### *Lesson #1: Create innovative content*

CNN, the first 24-hour news channel showcased the power of cable television. The innovation was simple—given the number of new channels allowed by cable it was possible to have a station that focused on a single subject. Mobile video operators have the potential to take narrow-casting even further. With new high speed data networks, companies have the potential for a near limitless supply of channels—a motorcycle channel, a cat channel, a surfing channel, a flower channel. But the true innovations on the mobile platform will be in programming that use features that exist on no other platform such as interactivity, voice and video communications, and location based services.

### *Lesson #2: Use innovative financing*

One aspect of the Turner story that often goes unnoticed is the innovative use of junk bonds to finance the growth of the companies. When smaller companies tangle with large, well-financed competitors they must make creative use of financing opportunities. Mr. Turner's solution to financing CNN was to issue \$100mm in junk bonds through the highly controversial Michael Milken. Smaller companies must remember that the cost of capital for a new venture is actually the same for them as it is for larger companies. For example, if the cost of capital is 30% for a mobile startup, it will cost the same in the internal budgeting for a large company. The only difference in this financing is the people you need to convince to write the check.

*Lesson #3: Seek the leftovers*

The tendency for the startup is to seek big brands to compensate for their own lack of identity. While this strategy is sometimes successful, it more often results in expensive deals that do not provide a sustainable rate of return. In contrast, Mr. Turner found content in the forgotten areas. He purchased the MGM library for a bargain purchase price when no one foresaw the value. Two of his staple programs on TBS were inexpensive productions—WCW wrestling and Atlanta Braves baseball. Mobile content start-ups would be wise to seek content where others are not looking.

*Lesson #4: Be a self-promoter*

While CNN was constantly broadcasting news, Mr. Turner's charismatic presence reminded external observers of the nature of the business. Succeeding in a cut-throat business with better funded competitors requires a leader who is bold and willing to take chances. Smaller marketing budgets necessitate that the leaders of business in entertainment will likely need to be public personalities as well. The public generally entrepreneurs and this should become an essential part of the business.

*Lesson #5: Focus on operating the business, know when to sell*

Mr. Turner sold his business to Time Warner in 1996, twenty years after starting TBS and sixteen years after starting CNN. Timing is nearly impossible to predict and distracts from the necessity of operating the business. A new media company must focus its attention on execution. If you are successful in acquisition exit opportunities will be abound. If you are overly focused on the sale, you are likely to be stalled while competitors retrench.

*Conclusion*

Conventional wisdom suggests that today's large media monoliths will dominate the new mobile video platform. Yet large companies are often not able to operate with the necessary innovation and creativity to thrive in a new platform. Upstart organizations that learn from the development of past industry leaders have the chance to create new media empires. We believe there will not only be a mobile Ted Turner, but perhaps several new leaders of the smaller screen.

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