

## AMERICAN BROADCASTING COMPANY

### U.S. Network

The American Broadcasting Company, more commonly referred to as ABC, has been a forerunner in the evolution of television network history. Although often recognized as the third-place network in ratings, behind CBS and NBC, ABC has several times been a "first," with bold decisions and changes that often served as catalysts to its competitors.

The following headline from the Los Angeles Times describes ABC's most memorable "first": "Merger of Top TV Network and Media Giant with Premier Movie Producer to Create One-Of-A-Kind Global Powerhouse." This notice referred to the Walt Disney Company's surprising purchase of Capital Cities/ABC for \$19 billion in cash and stock in August 1995. While the merger is recognized by media executives and Wall Street investors as a landmark in network television, historians tell of ABC's beginnings more than four decades ago as much less dramatic.

ABC grew out of a Federal Communications Commission (FCC) "monopoly" probe. The 1938-41 radio-network investigation resulted in a highly publicized and controversial report which included specific proposals for reform. The FCC reported cited several problems with CBS and NBC, the two then-existing radio networks. The first problem cited was that NBC owned two networks, NBC-Blue and NBC-Red. The report proposed "divorcement," and on 12 October 1943, ABC was born, the offspring of the separation of NBC. As a result of the FCC report RCA sold the Blue Network Company, Inc. for \$8,000,000. The buyer was the American Broadcasting System, Inc., owned by Edward J. Noble, who had made his fortune with Lifesavers candy.

By the mid-1940s, it was clear that the struggle for power in the broadcasting arena was now a three-network battle involving ABC, CBS and NBC. All had substantial radio earnings, but television technology developments loomed before them, threatening to change the face of the radio landscape forever.

By 1948, the FCC had issued approximately a hundred television-station licenses. By 1952, with sponsorship declining, death seemed imminent for network radio. The years between 1948 and 1955 for network television were a period of industry transition comparable to the mid-1920s for network radio. The FCC needed to develop a comprehensive plan for allocating TV frequencies and until it was completed the transition from radio would be incomplete.

As networks focused on the transition into television, a battle to takeover ABC, the weak sister of the Big Three, ensued. Noble's network was overextended and nearly bankrupt. And in 1951, Leonard Goldenson and United Paramount Theaters bought ABC for \$25 million. Goldenson had begun his career at Paramount Pictures in 1933 as a 27-year-old Harvard Law School graduate. Eventually, however, he gave up law and became chief executive of United Paramount Theaters and after spending the first half of his career at Paramount, he gambled his way to the top of ABC.

A new era in American broadcasting, another "first", began with that merger. With the help of the television industry the silver screen entered the home. In 1954, Walt and Roy Disney approached Goldenson with the idea of building a new theme park in California. The brothers needed financing and they offered to supply Goldenson with new programming. He lent them \$15 million in return for 35% of

Disneyland. ABC also agreed to pay \$35 million in license fees over seven years for a new Walt Disney TV series. Disneyland, which premiered in the fall of 1954 was the network's first Nielsen Top Ten Hit. A year later in the fall of 1955, ABC had another successful "first." Cheyenne, the first prime-time series produced by a major studio, Warner Brothers, aired on ABC the show and also became a network hit.

Still, it took nearly another decade for ABC to be Number One in the Nielsen ratings. But in 1964, ABC won the ratings race in the fifty largest U.S. markets with such successful series as Peyton Place, Bewitched, The Addams Family, McHale's Navy, Combat, and My Three Sons. But this success was short-lived and lasted a few weeks. Seven years later during the 1970-71 season, ABC had its first Number One show in all of television with Marcus Welby, M.D.

Even with this success, however, there were still many problems with ABC's programming that season, starting and ending with All in the Family. After financing the development of two pilot shows of All in the Family, Goldenson decided, in what has been hailed as the worst programming decision of his career, to turn down the Norman Lear show. He was worried that this new brand of realistic comedy would offend conservative affiliates.

All in the Family went to CBS--replacing The Beverly Hillbillies as American's leading comedy. To make matters worse, CBS's chief programmer, Fred Silverman, developed such spinoffs as Maude and The Jeffersons for the network. The effects on ABC's ratings were disastrous. Welby dropped from first to thirteenth place in one year.

ABC wooed Fred Silverman away from CBS in the mid-1970s. Six months after Silverman's arrival at ABC, two events took ABC to first place in the ratings: Roone Arledge's Winter Olympics in Innsbruck and a mini-series, a twelve-hour TV adaptation of Irwin Shaw's Rich Man, Poor Man. It was network TV's first big miniseries.

At the end of the 1975-76 season, ABC's Silverman scheduled a new show, Charlie's Angels. On the edge of a new programming wave in which sex would replace violence as the preferred "quick fix" for American television audiences, Charlie's Angels and other similarly cast ABC series came to be known as the "jiggle" shows. CBS and NBC executives labeled them "tits and ass" programming. These shows were Silverman's specialty and the cornerstone of a new entertainment creed.

The new programming resulted in a flood of advertising demand and surging Nielsen ratings for ABC. ABC's profits in 1975 totaled more than \$29 million; in 1976, they were \$83 million; and in 1977, \$165. Not all the successes fell into the more exploitative categories, however. ABC aired another miniseries in 1977. A twelve-hour adaptation of Alex Haley's Roots attracted 130 million viewers, scored the largest Nielsen ratings in broadcast history, solidified the role of the miniseries in network programming, opened a national discussion of the history of American race relations, and garnered high praise for the network.

But the bulk of ABC programming was still highly conventional. During the 1977-78 season, ABC's successful lineup included The Six Million Dollar Man, The ABC Sunday Night Movie, NFL games, Happy Days, Laverne and Shirley, Three's Company, Soap, Eight is Enough, Charlie's Angels, Baretta, Welcome Back, Kotter, Barney Miller, The Love Boat, and Operation Petticoat. The network had twelve programs in the Nielsen Top Twenty.

Taxi, Mork & Mindy, and Happy Days headlined ABC's 1978-79 season of fourteen Top Twenty shows including the best five shows of the season. ABC made history again. It was the first time that a TV network had broken the billion-dollar revenue mark. But it was the last year of ABC's success streak. That year, Fred Silverman left the programming empire he had built at ABC and took over NBC. For the first time since 1975, ABC finished second in the November sweeps.

A year later, ABC was a "first" again. This time, as the first network to hire a woman as its evening anchor, bringing the network an avalanche of publicity. ABC hired Barbara Walters from NBC with a contract worth \$1 million in 1976. Hired to co-anchor the ABC Evening News with Harry Reasoner, Walters, then forty-six, was the most celebrated woman in television news. The Reasoner and Walters merger was not successful, however, and Walters went on to her highly acclaimed series of interview programs and a regular spot on the ABC news magazine, 20/20.

The mid-to-late 1970s also saw the era of satellite television developing strength with such newcomers to the television industry as cable networks HBO, CNN and WTBS. Taking advantage of this trend in the early 1980s, ABC purchased ESPN, a cable sports network, with hopes that it would give the network a window on pay-per-view sports and help it bid for big sporting events.

Innovative programming in the early 1980s was not in prime-time series but made-for-TV movie programming, daytime shows, long-form miniseries and news. The most lucrative part of the ABC schedule in 1981 was daytime television which generated almost three-fourths of its profit. ABC, unlike CBS and NBC, owned most of its soap operas so the high daytime ratings of shows such as General Hospital, All My Children, and Ryan's Hope could be converted directly into profit. But the profits were matched by the network's burden of high expenses and sagging ratings. Once again ABC found itself lagging its competitors at NBC and CBS.

In 1986, Capital Cities Communication engineered the first television network takeover since Leonard Goldenson's merger of United Paramount Theaters and ABC. The \$3.5 billion merger signaled the start of the purchase of all major networks in 1980s, but the resulting Capital Cities/ABC Inc. became what was widely considered by investors as one of the best run of media companies. Capital Cities cut costs dramatically while continuing to invest in news and entertainment programming. ABC rebounded to become Number One in the ratings.

A decade later, ABC was in the forefront of network financial news once more setting the way for a flurry of media corporate buyouts that would make network history. In 1995 Walt Disney Co. acquired Capital Cities/ABC for \$19 billion, the second-highest price ever paid for a U.S. Company in U.S. history. The biggest media merger in history, touted as one of the best-kept secrets in the industry, "sparked a flurry of buying activity in other entertainment stocks," said the Los Angeles Times. Shortly after the Disney/Capital Cities/ABC merger, Westinghouse merged with CBS and Time Warner with Ted Turner's cable network empire including CNN, TBS, TNT, and Turner ClassicMovies.

The future of Disney/Capital Cities/ABC will be closely watched by media observers and critics. In many ways, the conglomerate suggests a model for a new era in media industries, an era in which global communication and economic strategies may override national and local concerns.

-Gayle Noyes

#### FURTHER READING

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