



## Hotel Pay TV

by Philip B. Lind

Hotel Pay TV has excited many an entrepreneur. For the past few years, there have been many experiments throughout North America, most of them rather disillusioning.

Columbia Pictures, in partnership with Bill Butters, sponsored the most ambitious attempt. Their company, Trans World Communications, wired hotels in 8 cities in the U.S. and Canada. After two years, Columbia called it quits, writing off a debt of over 12 million dollars.

Time Inc., another giant, acquired TWC, as it was called. Time had earlier acquired a company called Computer Television Inc., a hotel Pay TV venture started by Paul Klein, a network programming whiz. Time Inc. put TWC and CTI together, stayed with the experiment a few years and then decided to sell to a group in Texas called Spectradyne. It is presumed that Time, also, walked away from a sizable loss, although not on the scale of Columbia's.

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In Canada, there are two major Pay TV ventures. One called Pre-Vue operates in Vancouver. Established in 1976 by Premier Cablevision, it is only now establishing itself in a large way. The other Canadian operation is TWC Television Limited. This company was purchased from Time Inc. by Rogers Cable Communications in 1974 and had 6,000 hotel rooms. It has now close to 10,000 rooms and expects to have in excess of 12,500 before calendar 1977.

There were several reasons for the purchase of this system but perhaps the most important was the natural synergy that exists between a cable license and a total Pay TV operation. Pay TV requires a lot of attention to technical details and high-quality transmission, 24-hour service and a good billing system, and a cable system is able to provide these. The other reason for the purchase was that the Rogers group was, frankly, anxious to become immersed in Pay TV and the hotel format would provide good insights. Finally, of course, it was thought that the system would become profitable, especially if the number of rooms could be increased.

Time has shown that all the reasons have been valid, except for the last one. TWC Television Limited still

operates at a loss although there are some prospects in the years ahead. (All Pay TV companies, whether residential or hotel, now operate in the red.)

We have learned many things about Pay TV. For one thing, customers insist on the best technical quality. TWC had to completely revamp the previous playback system at a cost of \$200,000. TWC had to revamp all the program selection boxes at a cost of \$100,000. And because it is a pay-per-view system, a good telephone traffic system had to be established. Viewing is very much on a demand basis – big peaks and valleys. And most important, programming was recognized as a critical determinant to sales.

In programming, we have learned to focus entirely on the target demographics. The profile of our potential viewer is as follows: male, age mainly thirties and forties, business person travelling on a company expense account (who looks at the hotel bill?), likely lives in a suburban community, married, is only vaguely aware of picture titles and only slightly more aware of stars' names, goes to pictures very infrequently and, **most important**, would like to see a picture that he probably couldn't get his wife to see "back home". The overall formula then runs to big-name pictures, some light comedies and yes, sex. Hotel Pay TV customers show an overwhelming preference for "adult contemporary" pictures – a big-name quality picture with a reputation for sex. No picture better personifies this description than **Emmanuelle**. **Emmanuelle** has run on the system for 8 months and is still going strong. **Shampoo** also was a very strong performer.

This is not to say that a certain amount of social engineering isn't permitted; in fact, it's almost a prerequi-

site. Prior to the purchase, TWC **had not** run one Canadian feature picture. Now, it is policy that any Canadian picture with a box office performance (the critical determinant in selection of pictures for hotels) and a compatible story line is played. Titles include **Second Wind**, **Lies My Father Told Me**, **My Pleasure Is My Business**, **The Apprenticeship of Duddy Kravitz**. Further, we encourage our U.S. Pay TV operators to run Canadian pictures and have been instrumental in placing some pictures on U.S. systems.

Also, since there are at least two choices on the system all the time, we counter-program family pictures so as to allow a choice. This is particularly important during the summer months.

The most fascinating aspect in the entire business is dealing with the program suppliers. They are naturally out to maximize their return and TWC is trying hard to get out of the red. It makes for interesting negotiations! However, an increasing number of these are being carried out in Toronto. The major studios used to keep control of their Pay TV sales in the U.S. but this is changing. Still, it is wise to remember that the studios aren't yet paying much attention to Pay TV operations. Both hotel and home Pay TV amount to less than 5% of their rentals, although this is rising.

The keys to a successful operation lie in providing (1) programming that sells, (2) good technical quality, (3) good security on the system and (4) good volume and keeping the costs down.

The fact that the last factor operates in opposition to the first few gives a tangible reason why there are still problems in Pay TV land. □



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