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64¢ on the Dollar
Fit for Business
Cable Advertising

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Dollars and Sense is a publication of the Baruch College Business Journalism Program. Our purpose: to provide the Baruch community with a business magazine written, designed, and edited by Baruch students.
The Gilded Trade

by Peter Flynn

The world of gold trading is risky but rewarding, unpredictable but lucrative. "It's like being on the wrong end of a shooting gallery," says Andy Greenberg, an account executive of Bear, Stearns and Co., a brokerage house with central offices in New York City. "You've got to dodge the bullets to come out being a profitable and successful trader." But where the risks are great so are the pay-offs.

Over the centuries, the risks and pay-offs associated with this precious metal have seduced successive generations of mankind. Gold has been a cause of war and a powerful symbol of man's greed and his quest for power and wealth. At the same time, gold has reigned as the chief metal of adornment, producing a legacy of gold crowns, rings, drinking cups, swords, and myriad other golden objets d'art.

In the twentieth century gold serves chiefly as a medium of exchange and its volatility has astonished investors. Only three years ago, gold sold at record highs exceeding $800 an ounce; today, it is in the range of $400-$450 an ounce. One optimistic observer, Mr. Mauro Mandile, an operations manager at Kidder, Peabody & Company, sees gold climbing to $2000 an ounce by 1986.

A Day at COMEX

A man and woman arm in arm, floor brokers and speculators shouting at the top of their lungs, moments of panic, of fear, moments of cheer and laughter. An observer at The Commodities Exchange (COMEX) is witness to a wide spectrum of human emotions.

The Commodities Exchange opened for business trading in New York on December 31, 1974. COMEX offers a logical alternative to the tangible purchase of gold bullion. It gives the investor an opportunity to leverage gold purchases, that is to control a great amount of the commodity at a fraction of the commodity's actual cost.

Since margin requirements are approximately 10% of the total contract value (each contract is for 100 ounces of gold .995 fineness), an investor can control $40,000 worth of gold (100 ounces x $400/ounce) for a "down payment" of a mere $4,000. For every dollar paid, an investor controls $10. A $1 rise constitutes a $100 gain; a $1 fall in gold's price spells a $100 loss. The risks are of great magnitude. If you wish to "lever up," and celebrate when the gold market is with you, you may also bear the grim consequences when plans go awry.

The Commodity Futures Trading Commission (CFTC), created by Congress in 1975, has attempted to mitigate the huge loss potential. A CFTC 3-year pilot options program represents a new approach to options futures trading, suspended after the scandalous goings-on of the early 1970's when many investors were taken for a ride by bogus brokers and traders. Banned in 1978, options futures trading is now under the auspices of Congress and must follow CFTC guidelines.

Gold is one of many commodities traded through the options process. An option is an agreement between two parties, a buyer and a seller. The seller is required to perform certain obligations specified by contract, at the buyer's option. A buyer of an option to purchase gold at a specified price before a specific date requires the option seller to uphold his end of the agreement if the buyer exercises his option. The price of an option is called its premium. The price at which an option can be exercised is called the strike price. The final day of the option's exercise period is known as the expiration date.
Two techniques constitute the bedrock of options trading: the "call" and "put." A call is implemented when the trader believes gold will rise in price. A put is ordered if one has a hunch that gold will drop in price. The investor of a put option will gain money if the gold price falls and he will lose money if the gold price rises. For example, if investor Smith puts his money in an April gold futures contract which is trading at $450 an ounce, a December call option with a strike price of $425 would have an intrinsic value of $25. A corresponding $425 put option would have no intrinsic value since the futures price is greater than the option strike price. However, with April COMEX gold trading at $400, a $425 put option would have an intrinsic value of $25.

Players in gold trading are of two distinct types: hedgers and speculators. Speculators trade for personal profit. Their sole strategy rests with the movement of the market. A speculator's position in the market is a unique one. He is betting against either a rise or fall in the commodity. Let us say that the speculator feels that gold will drop from $400 an ounce to $350 an ounce while another party sees gold rising to $450 an ounce. This is where the contract is born, a mutual agreement between two parties, usually unknown to each other, whereby the Clearing House of the Exchange accepts a 10% margin requirement. The Exchange Clearing House is the banker, the good faith holder of the margin money. If a speculator is wrong and gold moves to $425 an ounce, he loses $2,500 ($425 minus $400 x 100 ounces). The speculator, seeing further disaster, may attempt to liquidate the contract and accept the $2500 loss. This is known as offsetting by liquidation.

Hedgers are typically users and producers of gold. "Hedgers are looking to use the futures market to lock in their 'sell' price," says Andy Greenberg. Let us say that in six months they are going to have 1000 ounces of gold to sell and they have a certain cost of production, e.g. $300. They can sell into the futures market, locking the sales price but willing to forego any profits as a result of a price rise.

The International Metal

Of course, New York does not have a monopoly on gold; trading is an international pursuit. London, Zurich, Hong Kong, and Singapore are major locales for buying, selling, and distributing gold. The London market was formerly the premier gold bullion market in the world, handling 3/4 of South Africa's gold output (which accounts for 73% of free world production). Soviet output was also channeled through London. The ritual of "fixing" the price of gold remains a London hallmark, with meetings held daily in the offices of N.M. Rothchild & Sons. The British gold market has lost much of its earlier prestige as a bullion distributor and now functions more like a trading forum.

The Zurich market is sometimes referred to as the gold supermarket. After winning Soviet business in 1972 and selling a substantial portion of the South African output, it has now surpassed London as the world's leading physical distribution market. Today, as much as 75% of mined gold passes through Zurich.

"At the Ngan Kam, one never knows whether Kung Fu blows or gold will be exchanged"

"Hong Kong is involved with gold bound for Taiwan, South Korea, and Thailand," a veteran trader told British author Timothy Green. "The best customer is Taiwan since the U.S.'s recognition of Peking." The exchange in Hong Kong is known as the Ngan Kam (Gold Exchange). Amid 195 frantic traders, one never knows whether Kung Fu blows or gold will be exchanged.

Another nugget in the Orient, Singapore is the gateway to the Indonesian Market. Known as the springboard for gold smugglers since legalization of gold imports in 1975, Singapore is predominantly engaged in distribution of gold bullion to speculators and hoarders.

Loss of Perspective

In international gold trading the dangers go beyond financial devastation; traders often lose contact with the hard realities. "What happens is you lose sight of the fact that you’re working with hard-earned bucks," says Andy Greenberg. "For example, I still drive to the Getty station down the street because it’s a nickel a gallon less for gas, and yet I’m willing to risk thousands of dollars in hope of making a profit. It becomes a game in which you’re dealing with numbers, movement, and ideas, and you’re not particularly relating to the greenbacks in your hand because you just don’t see them anymore."
Rent vs. Maintenance

What do a city official, tenant representative, real estate developer and broker and a banker all have in common? Each is intricately involved in New York City in the conversion of rental apartments into cooperative housing. Each, in one way or another, either through policy development, tenant representation, cash financing or putting the actual deals together, is involved in changing the make up of the rental housing stock in New York City. Little has been written about the effects of cooperative conversions on the rental housing market and on rental tenants. Dollars and Sense interviewed four experts, asking each whether cooperative conversions are beneficial or harmful to tenants.

According to a 1982 report compiled by Professor Michael A. Stegman of the University of North Carolina, many changes occurred in the New York City housing market during 1978-1981. Of the 2,792,000 housing units on the market during this period, 1.98 million were rental units. More than one-fifth of all homeowners in New York City lived in cooperatives or condominiums. (The report placed condominiums in the same category as cooperatives; however, the vast majority of the units in this group were composed of coop apartments.)

Of all occupied units in N.Y.C., 6.1% were coop apartments. It was estimated that there were 165,010 coop units, up from 152,000 in 1978, and 143,000 in 1975. This upward trend in cooperative conversions indicates a substantial shift from rental housing to owner occupied units. Some call it the "gentrification" of New York housing. What do the experts think?

Anthony Gliedman

Anthony Gliedman has been the New York City Commissioner of Housing Preservation and Development since September of 1979. Prior to this he was Commissioner of Ports and Terminals for 15 months. For over a year, he served as Housing Ombudsman where he played a significant role in helping to solve landlord/tenant disputes through voluntary mediation methods. He was also Counsel and Deputy General Counsel to the Department of Rent and Housing Maintenance. His extensive housing background makes him extremely knowledgeable about the City’s housing market as well as the trend to coop conversions.

$6: What does the future hold for the tenant in today’s housing market?

Gliedman: "The tenant is in a relatively good position because of the existence of rent regulations (e.g. Rent Control and Rent Stabilization). These regulations do not allow the rents to exceed certain levels which most closely reflect the actual costs involved in running the building. However, inflationary pressures on operating costs have led many building owners to resort to cooping. What this means is that cooping becomes one of the very few ways that an owner of a multiple dwelling can achieve the value of his building. Since the value of his building cannot go up because of the rent roll and since expenses cannot be met, the way to recover the value is largely through cooping."

$6: What happens to people who are evicted as a result of cooping?

Gliedman: "They are not being pushed out. In the entire Borough of Manhattan last year in rent control apartments there were only two certificates of evictions granted against tenants in rent control buildings who didn't purchase. Most often what occurs is that people are given the opportunity to buy at a discounted subscription price and they turn it over for a profit. We would prefer to allow people to be able to stay. The City of New York is interested in achieving a fair bargaining position for both parties, the tenants and owners. It supports the law to increase the amount of people who must agree to sign up for conversion to a cooperative. Originally, 35% of the tenants were required to sign for an eviction plan. The law which was passed in October 1982 now requires a total of 51% of the tenants to agree to purchase in order to have an eviction plan. The City has also come up with a bill which requires a 3% reserve fund. This means that 3% of the total sales must be set aside in a reserve fund by the owner/sponsor of the coop for long term repair and replacement of systems within the building. In this way the structural soundness of the building is assured."

"We think cooping is a wonderful thing, as long as it is done in a balanced atmosphere where either party has some bargaining position. Government's job, in my judgment, is to try to keep a balanced situation, so you don't
get foolish coop plans.”

Mike Weiss

The quality of life in the City’s housing does not only concern government officials. Community activists are taking an aggressive stance in rebuilding New York. Mike Weiss, for example, is the President of the Flatbush Development Corporation (FDC). Although his position is unsalaried, Weiss is highly committed to the organization’s goals. A teacher for 22 years at Brooklyn Technical High School, and involved with the FDC for seven years, Mr. Weiss exemplifies the concerned neighborhood resident. FDC is a broad-ranging organization, both in the scope of its programs and in the territory it covers. It promotes the quality of the housing stock of Flatbush in order to encourage a stable mix of middle class whites and blacks to remain in the area. The quality, marketability and physical conditions of the neighborhood’s housing are major FDC concerns. In addition, the group monitors landlord-tenant problems, ensures code enforcement, generates loan referrals and cooperates with real estate developers. A building management corporation initiated by the FDC oversees 22 apartment buildings with some 600 rental units. There are 700 apartment houses, comprised of 30,000 rental units, and 3000 private homes in the FDC service area. Since its inception in April 1975, this organization has been responsible for the rehabilitation of 70 buildings, affecting 10% of the renters in its area.

$4: What is the tenant’s perspective on coop conversions?

Weiss: “The tenants response to cooping is mixed. Some tenants are now buying their own buildings, finding this to be quite desirable. The tenants are afraid that any new owner of their building would merely skim the cash from the top and not provide any money towards maintenance. This would lead to a rapid deterioration of their building. It is this attitude which has led some tenants to believe that cooping is a good idea. If the tenants own it, it’s their building. It can be improved and, hence, improve their living conditions. They have the advantages of tax benefits, and have control of operating costs. On the other hand, there are those tenants who are very suspicious of a developer who offers a coop deal to them. Naturally, they want to know what is in it for them? Is it going to cost them more money and will they be forced to move? It is important that the developer respond to tenants’ fears by educating them so that they understand that they won’t get hurt by the coop conversion.”

$4: What does the future hold for the tenant in NYC?

Weiss: “Due to the lack of new construction and the very low vacancy rate of rental housing (2.13%), people won’t be able to move. This will encourage cooping because if you can’t move then maybe you better get control of your own building. In this way, tenants can keep costs at a minimum and have control over their future. However, there is little incentive for lower income families as they cannot avail themselves of the tax advantages of cooperative ownership and often cannot afford to purchase their apartment. In addition, as tenants they are protected by rent control and rent stabilization. If need be, they can fight the owner in housing court but once the building is cooped the tenants are on their own.”

$4: Do you believe all rental housing should be converted to cooperative housing?

Weiss: “No. But our organization would like to play a role to stimulate tenant ownership. We think it is useful.”

Harvey P. Katz

Harvey Katz, an alumnus of Baruch College (Class of ’64) began to work for mortgage broker Harry Adams in 1964 and remained there for thirteen years. In 1977 he went out on his own as a mortgage broker and developer. Beginning with the renovation of rental buildings, Katz branched out into converting his rental properties into coop buildings. He has successfully converted five apartment buildings.

$4: What difficulties did you encounter when cooping rental apartment buildings?

Katz: “Nothing was easy. The tenants all joined together as a group (which is smart) to negotiate for a lower price and a higher reserve fund.”

$4: What were your responsibilities to the tenants as the broker-developer?

Katz: “I don’t feel obligated to them. I am giving them a deal which is really good for me and good for them as tenants. Most tenants have very few opportunities to get involved in real estate and be part of a good real estate deal. Most often the subscription price offered to a tenant is up to 50% less than the real market value of the apartment. How can one lose if similar apartments are selling for much more. In addition, there are the tax advantages for write-offs and the possibility of future appreciation on
the investment. However, many people resent the fact that the developer is going to make a lot of money. What they fail to recognize is that they can also make money. It is like a partnership. Both parties can make legitimate money."

Vincent Palagiano

When one speaks of money, the first thing that comes to mind is a bank. How does a banker play a role in the cooping of rental housing?

Vincent Palagiano, Executive Vice President of the Dime Savings Bank of Williamsburgh, a bank with assets exceeding one-half billion dollars, has been involved in the field of real estate for 25 years as an appraiser and real estate broker. As a banker and officer of the bank, it is ultimately his decision which determines whether or not a loan is to be made.

$C: What is your responsibility as a banker in the housing market in the light of the present cooping trend?

Palagiano: "My primary responsibility is as a fiduciary of my depositors. Above all else, I have to protect my depositors' money. If there is a chance to make a profit by making a loan, then the loan will be made. The Savings Bank's position is to provide financing for private entrepreneurs to develop housing.

$C: What does the future hold for rental housing?

Palagiano: "Rental housing is going to diminish. There will only be a minimum of rental housing primarily for lower income groups. All your middle and upper income groups will gravitate towards cooperatives and condominiums. The owner can protect what is his because it belongs to him and in addition there is a profit potential in the resale. The owner automatically becomes concerned with the overall operating expense of the property as it affects him directly in his maintenance charges. Therefore, the owner will be more cautious in taking care of his building. It will also cause tenants who are now owners to be more sensitive to legislative changes. They will be motivated to petition their legislative representatives because as owners many laws can affect their pocketbooks." 

Photo by Leslie Szendy

DOLLARS and SENSE, May, 1983
Cable Commercials: Ad- ding To The Bottom Line?  

by Marc Schnapp

Newscaster Mary Alice Williams reads the script as words roll by on the teleprompter before her. The words are reflected on a mirror placed in front of the lens on the TV camera. Looking straight into the lens she tells viewers about the near capture of the Tylenol extortionist in a fleabag hotel in New York City. At the conclusion of the dramatic story the show breaks for a commercial.

Although the scene is familiar enough to the 98% of American homes with television sets, it's not the Six O'Clock News transmitted through the airwaves. Williams is an anchor at Cable News Network's New York Bureau. The signal is fed via coaxial wire to some 25 million households nationwide. A network, CNN, is connected to local cable systems who in turn provide the 24-hour news programming to their subscribers.

Raising Cash

Of the thirty cable networks in business today, two-thirds are supported by means of advertising. This may come as something of a surprise to cable-deprived New Yorkers who think of Home Box Office (HBO) as typical of cable network programming. The service, established by Time, Inc. over a decade ago, relies on subscription fees rather than advertising. Local cable companies collect $8-12 monthly from viewers, a portion of which is forwarded to HBO.

Time's venture is a daunting example to all cable networks, subscription or ad-supported. Founded in 1972, HBO sustained a flow of movies, concerts and nightclub acts until the first profitable quarter in late 1977. The fact is that while local cable operators make a precarious living wiring up their communities, the national cable networks take on huge expenses in an extended start-up phase—and profitability is uncertain for most at present.

As a means of spreading the risk (and raising working capital) corporate partnerships have become a common method for backing cable services. Satellite News Channel (SNC) is a product of Westinghouse and ABC. Getty and ABC cooperate on Entertainment Sports Programming Network (ESPN) and communications giant Warner Communications sought the additional resources of American Express. That team (Warner-Amex) produces Nickelodeon, a high-quality children's service and The Movie Channel, an HBO competitor. In addition to their network operations, Warner-Amex also is one of the largest cable system owners nationally.

Troubling Signs

While subscription services must promote themselves to consumers and the local systems, ad-supported networks have the added burden of winning over advertising agencies. Only if the medium is compelling will the agencies sign up their clients, the advertisers.

The signs for national cable advertising are troubling. The critically acclaimed cultural channel, CBS Cable, announced its demise in late 1982 following two years of operation. "If there was a problem we faced," Gene Jankowski, president of CBS Broadcast Group told investment analysts, "it was in our estimation of the sales marketplace and of what enthusiasm would be in the advertising world for the kind of product we had to offer."

Ad revenues have made dramatic gains—from $34 million in 1980 to $90 million in 1981. Estimated 1982 revenues are now set at $230-250 million. While ad dollars are growing, new networks are being introduced monthly, all hoping to make a killing, and all vying for the same pool of advertising dollars.

"5% of cable homes disconnect every month"

The growth is an encouraging sign—there must be a thriving business for those who survive. But ad income presently supports only one service competely—and it is a cable/broadcasting hybrid. WTBS, an Atlanta UHF station widely distributed nationally by cable systems, grabbed more than 50% of the top four networks' ad revenues during the first quarter of 1982. Reflecting the uneven distribution of ad dollars among twenty networks, this figure is little cause for consolation among WTBS's competitors.
Bright Star Dims

Operated by Atlanta Braves owner Ted Turner, WTBS profits are channeled into two other Turner cable services: Cable News Network (CNN), which collected another 17% of ad revenues, and CNN Headline Service (CNN II). Just when success was near for CNN, new factors presented themselves. Westinghouse/ABC announced the coming of SNC, a competing news service. CNN II was Turner's response. In the process CNN's pool of potential advertisers was further dispersed and vital resources were diverted to CNN II. The result—CNN's break-even date was postponed.

A recent ruling by the Copyright Royalty Tribunal may soon cut WTBS's revenue base by increasing local operators' fees. Because WTBS disseminates material to a far broader audience than its Atlanta viewers, the Tribunal reasons, operators must pay copyright fees. Set on a sliding scale, operators costs for carrying WTBS may increase from 4% to 200%, depending on audience size. Many operators have already dropped the super station rather than bear the increased expense.

Financial Problems

Following close behind the death of CBS Cable, another ad-supported cultural network, ARTS, laid off its production staff. Rumors persist in the industry that the owners, Hearst and ABC, will pull the plug.

"We're in a battle for our lives," says Kay Koplovitz, president of USA Network. "The economic environment cannot sustain all of the networks," she told the Wall Street Journal.

"Some of the factors that caused CBS to go under will ripple through the industry," says Robert Alter, president of Cabletelevision Advertising Bureau (CAB). "But their effects will be dependent on the type of programming that the others are putting out and the cost of that programming."

But it is not universally agreed that CBS's programming lacked advertiser appeal. "We still think the environment was good," says Ira Tumpowsky, chief cable buyer at ad agency Young & Rubicam, suggesting instead that poor financial judgement undermined the high quality network. He cites CBS's overly generous offer to cable operators—free earth receiving stations (needed to pick up the satellite signals) worth some $10,000 each in return for accepting their programming. An ill-advised incentive, the earth stations could have run into millions of dollars had cable operators taken on the service in the expected...
numbers. Leasing, says Tumpowsky would have been more prudent.

Common Barriers

Though competing networks rightfully blame CBS's problems on internal factors, there are common barriers for all ad-supported networks to overcome before they can succeed as an industry:

• Poor Penetration of Markets

Most advertisers prefer to concentrate their media buys in the most populous metropolitan areas. These top markets tend to contain consumers who are the most willing to try new products. Not coincidentally, there are higher percentages of high-income viewers in the top markets than the national average.

Less than 22% of households in the top 25 markets are connected to cable systems, according to a study by N.W. Ayer, a major ad agency. The most optimistic projection indicates that this figure will only increase to 45% penetration by 1990. Advertisers are less than enthusiastic—these markets constitute 49% of the nation's population.

"Certain statistics already add questions," ad agency president Larry Spector told broadcasters. "For example 54% of television homes are passed by cable (connections are available) now, but only 26% are connected. Why have half said no?" he asks. "Furthermore, 5% of cable homes disconnect every month. A turnover rate of 20 months seems far too frequent for satisfied customers."

• Measurement Problems

"The advertiser-supported cable services are going to have a very difficult time," says Fred Anschel, a financial analyst at Dean Witter Reynolds. "Until the technology has been developed to accurately measure the cable audience you're not going to see the really big flow of money into it."

USA Network's Koplovitz is skeptical of today's Nielsen ratings, declaring that the 250-home sample presently measuring her viewership is inadequate.

Recognizing long-range opportunity in the cable industry, the giants of broadcast ratings are moving in to provide more sophisticated data. As in the broadcast world, the networks and ad agencies foot the bills for ratings. Paul Lindstrom of A.C. Nielsen indicates that more meters will be placed in more cable homes in more metropolitan areas.

Arbitron has embarked on a similar expansion program. Combining the purely quantitative data with demographic studies, Arbitron has incorporated the PRIZM analysis system. This breaks down viewership figures using zip codes and noting lifestyle, income, and other pertinent factors. PRIZM has devised 40 narrowly defined clusters of social groups sporting such colorful names as: "Money & Brains," "Bunker's Neighbors," "Coalburg & Corntown," "Big Fish, Little Pond" and "Norma Rae-ville."

Nielsen and Arbitron now routinely measure audiences for WTBS, CNN, Continental Broadcasting Network (also doing business as Christian Broadcasting Network and CBN), USA and ESPN.

For the past few years ratings services have noted a drop in broadcast network viewership, a decrease of 2-3%. Ad agency Doyle, Dane & Bernbach expects that to go to 25% by 1990. Although some of this shrinkage may be due to the explosion of video games, backyard satellite receivers and viewer disinterest, cable is also a major beneficiary. More than a few eyebrows were raised when one evening in 1982, HBO out-rated the broadcast networks in cable homes.

• Too Many Networks

A controversial report released last October by Knowledge Industry Publications, a communications trade publisher, predicted that only 8-10 ad-supported services would survive the following two years.

"There is a chance that not all 21 networks are going to make it," comments Bruce Hoban, research director at CAB, "but as to when and why that's kind of hard to look at. I don't see how they can predict something as imminent as that." Koplovitz has said that only a "handful" will survive.

CBS had hoped to raise $20 million in ad revenues during its start-up phase, but came up with less than half. How will twenty services survive into 1983 on the meager amounts projected? And if they do continue on this starvation diet how will they become viable enterprises?

• An Indistinct Medium

"Too many advertisers look on cable as an extension of broadcast television, which of course it is not," Michael H. Dann told the New York Times. Once a network programmer at CBS and NBC, he is now a senior adviser at ABC's non-broadcast Video Enterprises division. "Actually cable does far better using a commercial as an in-depth selling tool—selling as a door-to-door salesman would—rather than the hard-hitting 30 second broadcast television commercial."
Young & Rubicam’s Tumpowsky advocates what he calls the “video publishing philosophy” as an aid in clarifying cable’s identity as a medium. “Cable television is a distinctively different medium. It is a combination of the sight, sound and motion of television and the selective environment of the print medium.”

Most observers agree that cable is at its best when it speaks to defined audiences. This approach dovetails with segmentation marketing—tailoring the product and the sales message to groups of people most likely to respond positively. Marketers say that this makes for greater efficiency in the use of resources. For marketers of highly specialized products and services, broadcast TV has never been an option—the audiences are usually too broad while the rates are prohibitive.

Analogies to other media are made frequently; the clearest indication that cable’s characteristics are still in formation. “Cable TV is helping radio and vice versa because the concepts behind their usefulness as ad media are so similar,” Erica Farber, a radio advertising expert told an audience of radio broadcasters.

“Advertising on cable is at the same stage that advertising on FM radio was twenty years ago,” says Nathan Klein of Earthrise Entertainment, a cable producer. “AM radio was the market—that’s where the ad dollar was spent. FM radio then is like cable TV now.” Klein’s observation may be the kind of inspiration that cable executives need to carry on through their current difficulties.

“There is a chance that not all 21 networks are going to make it”

- Organizational Problems

Adjustments which must be made to accommodate cable have either been postponed or are not being acknowledged by ad agencies and their clients. In a management study of cable advertising, McKinsey & Co. identified three key failings:

1. “inconsistent or shared responsibility for cable buys within agencies without clearly defined accountabilities and authorities”

2. “little integration of cable in the agency/client media planning process”

3. “multiple players/departments currently needing coverage and education within agencies.”

Advertisers complain that cable planning discussions command disproportionate blocks of time in contrast with other media. Both the cable industry and the advertising agencies will need to take steps to increase the efficiency of their structures.

- Broader Economic Climate

As the economy suffers, advertisers are carefully scrutinizing means of accommodating shrinking budgets. All of cable’s development problems contribute to the perception that cable advertising is still experimental. Ad dollars, which might in better times have been channeled into cable, are instead going to the more established media, where advertisers feel more secure. This fiscal conservatism calls for a more aggressive cable industry.

- High Production Costs

While the audience base for any individual cable network is far smaller than for their broadcast counterparts, viewers expect programming to be of comparable, if not superior quality. The problem is one of scale. Cable ad network dollars in 1980 amounted to only 1% of all network advertising. Cable consultants Paul Kagan Associates report a doubling—to 2% in 1981, and to 4% in 1982. Despite the robust growth, network cable advertising has a long way to go.

Intense competition between all thirty networks has broken out into a series of bidding wars. Sports programmers are suffering the most. USA, ESPN, WTBS and The Sports Channel are all attempting to sign up the most attractive national events. In the process, programming costs soar.

As each network strives to justify itself vis-a-vis the others, more original programming is generated. Over the past two years, networks have been moving toward 24-hour cablecasting. While some programming is repeated in an average day, the networks have had to expand their original programming.

Opportunities For Growth

The problems facing ad-supported networks are weighty, but not insurmountable. Success is defined only in long-range terms. But cable’s unique characteristics promise rewards to those who survive the shakeout:

- Targeted Audiences

As the cable industry educates the advertising world, even the most conservative TV sponsors will awaken to
cable's capabilities. CAB, the ad-supported cable industry's voice, is already spreading its message. The trade group sponsors improved rating studies and serves as an information clearinghouse.

Smaller advertisers who have shunned TV in the past will have reason to examine cable. Because the audiences will be smaller, total ad costs can be more affordable. Manufacturers of limited appeal items will be able to reach their target markets economically, as they have been doing with radio and magazines. Gucci can talk to the ultra-chic, vintners to the oenophiles.

But narrowcasting does not speak only to the wealthy—consider the cable strategy being employed by Anheuser-Busch. Now the second largest cable advertiser, A-B spent $4 million in the medium in the first half of 1982. Seeking out heavy beer drinkers, males aged 18 to 45, the brewer has contracted exclusive beer advertising rights on ESPN and Black Entertainment Television (BET), as well as a steady schedule on USA. McKinsey's management study found that ESPN for example, offers a comparable audience profile to broadcast sports, and often a superior one.

Broadcast thinking is being influenced. A recent New York Times article reported that NBC was still in third place in 1982 among the networks. Despite that liability, the network has been building an audience of educated viewers in their twenties and thirties. The author notes that this newly cultivated audience holds the potential of drawing advertisers who want to reach this free-spending group.

• Compatible Editorial Environment

Once the advertiser selects a network for its viewership profile, they can tailor the message to fit in with the surrounding programming. Sponsors benefit from the active interest of the audience.

Ad agencies are playing a major role in bringing sponsors to this realization. Ogilvy & Mather has assembled some advertising/ editorial shows: "Traveler's World" for American Express, "American Baby" for Huggies disposable diapers, and "Home Fix-It" for Owens Corning.

While media experts have long spoken of "editorial rub-off" in reference to magazine advertising, cable can exceed anything possible in print. There is no sharp division between the "story" and the "ad" in many shows.

• Flexibility of Ad Formats

Some of the longer ads, dubbed "infomercials," blend a delicate balance of editorial content with advertising.

"Redbook's Family Chef," a series produced by the magazine, which airs on CBN. One episode featured an appearance from a child star from "Annie." She sang a tune from the show and demonstrated the ease of creating an Annie-shaped Jell-O dessert.

Not all sales messages come in half-hour packages. CNN employs standard 30 second spots while commercials on other networks are negotiable.

• Low Ad Rates

Though advertisers may not always have it so good, current rates are excellent. "Cable buys are an average of 20% cheaper than network," according to the McKinsey study.

Agencies gain maximum advantage through long-range planning and cooperation with the networks. "We try to develop our rates so that they are in force before a network gets off the ground, or at least within several months after it goes on the air," says Tumpowsky of Young & Rubicam. "We try to develop a rate that's hooked into subscriber growth."

Most networks are eager to build capital sources now, and are willing to sign contracts for as long as five years. These deals promise long-term protection from increased media costs.

General Foods, the largest cable advertiser, uses WTBS for defensive reasons: "as a means of protection against other media inflation" and "the erosion of (broadcast) network audiences in cable households," says Tumpowsky.

• Freedom From FCC Regulation

Unlike broadcasting where certain specific advertising practices are banned, the cable environment is a wide open marketplace. Cigarettes and hard liquor are advertising. Beer drinkers may raise their frosty glasses high—and then lustily quaff down the foamy head.

Promising Future

Whatever trouble ad-supported cable is experiencing at present, the prognosis is good. CBS seems to share that point of view, despite their own heavy losses.

When asked by a Wall Street analyst if the CBS Cable shutdown marked the end of the company's cable programming ventures, Jankowski responded emphatically. "That is definitely not the case."

Evidently the big eye at CBS spies a promising industry beyond the horizon and will not be watching from the sidelines.
America: the land of the free, the home of the brave—a place where there is equal opportunity for all. But is there really equal opportunity in employment?

"The job market is not equally receptive to both men and women. Women are definitely discriminated against," says William E. Kaufman, President of Spero-Whitelaw Co., Inc., an insurance broker.

"The theory of equal work for equal pay is still pretty much a myth," says Mary E. Tobin, Regional Administrator for Region II, The Women's Bureau, U.S. Department of Labor. Despite the Equal Pay Act, wage differences between men and women are growing. The average male employee earns $17,427 per year while the average female employee earns $10,244, which is equal to 59% of male wages. In 1982 nationally, women in the aggregate earned 64¢ for every dollar earned by men. In some states, the figures dip even lower with women earning only 49.8¢ to every dollar earned by men.

Leonard Agora, the office manager of Spero-Whitelaw Co., Inc., says that these wage differentials are unfair. "If a person has the capabilities necessary, sex shouldn't make a difference." He says that the employment scale is unevenly tipped toward the male side because of traditional values. "People have not yet accepted the idea of equal rights for women in the office," Agora believes.

According to the research of Elyce J. Rotella, an economic historian specializing in women's studies, sex is an important factor in determining the division of labor in all societies. Most people believe that sexual division in the work force exists in society because it is natural and because it reflects upon the biological differences between the sexes.

While American society emphasizes equal opportunity, Dr. Rotella believes that social pressures toward conforming to sex-role stereotypes tend to restrict the actual career choices open to women. A girl who wants to become an engineer or a chief executive officer of a Fortune-500 corporation may be met with raised eyebrows. She often finds that parents, teachers, and even career counselors will place considerable obstacles in her path.

"The proper job for any woman is the one she chooses for herself; not the one imposed upon her by someone else's idea of what is proper for women," says Mary E. Tobin.

Discrimination against women in the job market can
assume a number of forms. When women are paid less than a man doing the same exact job, they are being discriminated against. When women are excluded from certain training programs and are forced into low productivity jobs, they experience discrimination. However, the predominant form of discrimination against women is that men and women are employed in different occupations and that “women’s occupations” pay considerably less than men’s occupations.

“We must all—men and women alike—overcome sexual stereotypes. Rising above traditional sex roles isn’t just a matter of men learning to change diapers; it’s women overcoming their resistance to jobs that are ‘male,’” Felice N. Schwartz, founder of Catalyst, a non-profit network of employment counseling centers for women, told the Ladies Home Journal.

But Can She Type?

Women’s employment opportunities still appear to be concentrated in a small number of careers. Jobs that are typically considered “female” include: file clerks, bookkeepers, and typists. Ironically, even though women hold approximately 98% of these jobs, they are nevertheless paid less than men holding the same positions.

“A woman needs every edge that she can get over a man in order to get a job,” says Andrea Schneider, the office manager at Lucien Piccard Sportswear. Ltd. “She has to type to even be considered.” Although she is an office manager, Andrea still performs several secretarial tasks.

Belinda Musi, an assistant treasurer at Chase Manhattan Bank, agrees with Ms. Schneider. Mrs. Musi began her career as a secretary but was fortunate and quickly moved up the ranks. During her employment, she has seen how discrimination by sex works.” A man holding an executive secretarial position is given the title administrative assistant and is paid more than a female executive secretary.” Mrs. Musi observes that men often resent having to answer to a female of higher rank and can be rude and condescending toward their female superiors.

Salary Differentials

The bottom line, of course, is salary. Consider the following discrepancies in wages between men and women holding the same jobs: female computer systems analysts earn an average weekly salary of $420 while males earn $546; female health technicians earn $273 to the $324 earned by males; female elementary school teachers earn an average of $68 per week less than their male counterparts.

Part of the problem of discrimination may be due to women themselves. Some women may tend to sell themselves short due to longstanding stereotypes which have been reinforced over the years by society. “This might be true of women in the lowest category, but not of educated women,” says Mary E. Tobin.

The root of the problem, however, rests with the employers. Many have generalized certain characteristics that they feel adequately represent all women as a group. One example is that employers feel most women will drop out of the market to fulfill domestic duties. This, in fact, is a myth as married women remain in the work force for 23 years and most single women remain for 45 years.

Despite the problems women face entering the job market, some progress has been made. The following statistics were reported in the Monthly Labor Review of August 1982, published by the Bureau of Labor Statistics: In the field of engineering and science technicians, female representation increased from 9 to 18%; the percentage share of female computer specialists rose from 17% in 1972 to 26% ten years later. Women lawyers now account for 13% of the total, up from 4% in 1970 and this number is still growing. Other advances include a 13% increase in biological scientists and a 10% increase in designers for manufacturing firms.

However, the recession has taken its toll. In a period where increasing layoffs are predominant, especially in certain white collar jobs, it is becoming apparent that the axe is falling more heavily on female managers. The unemployment rate for female managers was 1.1% higher than the unemployment rate for all managers. One reason for firing women is the lack of seniority of women managers. A second reason is that female managers often hold positions in such vulnerable departments as personnel and public relations, areas which are the first to be cut when money gets tight.

In spite of all the obstacles, Betty Friedan, the founder of the National Organization of Women (NOW), told The Ladies Home Journal that “we’ve broken through the barriers that kept women from moving in society as equal persons. Poll after poll shows that men as well as women of the younger generations, people in their twenties and thirties, now believe in equality between the sexes and equal opportunity for women in pay and jobs.”

$3
Fit for Business

by Thomas Tortora

As a warm noon sun beams down, a sweatsuited jogger runs along a winding tree-lined path. His thoughts turn toward weekend plans as he comes around the turn. Having completed his daily two mile-run, he heads indoors to change, stopping first to spoon down a cup of yogurt. Our jogger is not a member of the leisure class. A busy accountant at a suburban corporation, he makes jogging a part of his workday fitness regime. Emerging from the corporate headquarters at lunchtime each weekday, he avails himself of the manicured jogging track which rings the sprawling landscaped grounds. Within an hour he's back at his desk balancing debits and credits.

In an age of increasing concern for health and appearance, a growing number of people are spending their free time sweating it out at local health clubs. There are housewives, college students and, most recently, corporate executives who rely on exercise to combat the consequences of physical inactivity so often associated with white collar work.

Company recreation-type programs have been in existence for many years. The first reported program was started by the National Cash Register Company in Dayton, Ohio in 1904. However, recreation programs unlike modern fitness programs, did not supply the level of physical activity needed to maintain health and prevent cardiovascular diseases. Only three years ago, Richard Pyle, Assistant Professor of Management at the University of Massachusetts (Boston), wrote that there were several hundred companies claiming to have some form of physical fitness program of which perhaps "25-30 were bona fide." (Personnel Magazine, Jan. 1979). Today, Pyle estimates that there are "perhaps 300-400 bona fide programs with adequate facilities and trained staffs," an indication that big business has begun to take physical fitness seriously. In fact, The National Employee Services and Recreation Association in Chicago surveyed almost 300 companies in the spring of 1982 and found that nearly 30% offered their employees exercise programs.

For some of us, exercise, the backbone of corporate fitness programs, invokes images of Army drill sergeants, 10 mile runs, barbells, and aching muscles. Americans harbored these misconceptions a decade ago, when according to an article in Credit and Financial Management, only 800,000 Americans were exercising on a regular basis. But no more. In 1982, nearly 35 million people were running on a regular basis according to Liz Elliott, Executive Director of the American Running and Fitness Association in Washington. A study conducted by the A.C. Nielsen Rating Company corroborated these statistics. These numbers, of course, do not take into account the hoards of people involved in other forms of exercise.

"Exercise does not have to be grueling. It is not what you see, for example, at the New York City marathon: people falling at the finish line and the paramedics running over with oxygen," says John Rutigliano, Assistant Manager at Vista International Executive Fitness Center located in New York City.

Modern day exercise programs are designed to be more enjoyable than those of the past. The proven results make even the most out-of-shape executive almost want to jog, bike, row, and swim all at once.

Most corporate fitness plans are the direct result of the determined efforts of a high ranking executive who is either motivated by a personal interest in fitness or by a feeling that the program would benefit the entire corporation. "You need to have the highest level of management
support you can get within a company. If you can get your president or chairman of the board ‘gung ho’ on the idea of a fitness program, then your job will be a lot easier,” says Janet Murnane, Manager of Physical Fitness at ITT and President of the New York State Physical Fitness Directors Association.

Understandably, there are significant corporate advantages in keeping key employees fit. A comparatively small investment in an employee fitness program can save money by reducing sick leave and maintaining the valuable skills of those executives otherwise lost to cardiovascular diseases. “A top executive is worth approximately $1-1.5 million. He has the business connections; he knows the ‘ins’ of the company, and he cannot be replaced. Since we cannot replace someone who is dead, perhaps we can prevent the onset of heart disease, the leading cause of death in the U.S.,” says Bruce Lipsky, exercise physiologist at Chase Manhattan Bank’s Vascular Fitness Lab. “The fitness program should be seen as a way to maintain the resources of a corporation. Job responsibilities will not be jeopardized by the approximate three hours a week required of company time for the program. The time away from the job spent in the exercise program increases energy, effectiveness, and productivity on the job,” according to Richard Pyle. Employees are also encouraged to use the facilities on their own time.

Recent medical research emphasizes the positive benefits of a regular exercise routine. These positive benefits include increasing heart and lung efficiency. The heart learns to lower its rate by increasing the body’s ability to take in oxygen and increasing the stroke volume (the amount of blood pumped with each contraction of the heart); therefore, it will not have to work as hard at rest or in normal daily activities. With a more efficient heart, it is easier to cope with physical and mental effort. Exercise tends to lower weight and blood pressure, two risk factors for coronary disease. Faster bloodflow during exercise, if maintained for several minutes, helps control the levels of fat in the blood thereby reducing build up in the arteries (atherosclerosis). Physically fit people have ½ to ½ less chance of developing a heart attack and, when they do have one, they have a two-to-four times better chance of surviving.

Possibly the greatest side effect of exercise is its heightening of the general feeling of efficiency and physical well-being. “I am very pleased with my results,” says Charles Buchta, V.P. of Operations at Chase Manhat-

tan, and a participant in Chase’s corporate fitness program. “I have much more energy, a better attitude toward work and I think that I am able to handle stress in the day better. Overall, I have a more positive and competitive outlook.”

“Hopefully, a happy employee is a more productive employee. The indirect feedback we get from the people at the bank is if Chase is going to take care of us, maybe we’ll take care of Chase,” says Bruce Lipsky. Other claims include increased energy levels, better sleeping patterns, and an improved sex life. “We cannot claim that you will live longer if you exercise. However, it’s not the length of your life but the quality that will be affected,” says Janet Murnane.

In a study at Exxon, 422 executives were invited to participate in their corporate fitness program. Of these, 309 (73%) completed the evaluation procedures and actively exercised for some period of time. Statistics gathered after six months indicated a better level of conditioning as confirmed by lower pulse rate, decrease in body fat, and improved grip strength. In addition, a questionnaire was completed by 164 participants to evaluate subjective responses to the program. Approximately 75% noted an improved sense of well-being while 90% indicated some

“Exercise needs to be given the way medicine is given—in prescription dosage”

increase in their capacity for prolonged physical effort. Among the active participants, improvements occurred in several of the recognized risk factors for coronary heart disease.

As evidence accumulates, it is hardly surprising that many companies are now willing to invest a significant amount of money in extensive fitness programs. Richard Pyle now calculates that the annual operating budget for an in-house fitness facility costs less than the $500 he estimated in 1979. The decrease in costs is the direct result of the increased numbers of persons using the fitness facilities.

Both Exxon and Chase, like the Vista Executive Fitness
Center, provide all exercise clothing required, lockers, an in-house laundry service, showers, saunas, all hygienic supplies and hair dryers. "We try to make exercise as easy as possible for our executives. We supply everything for them. The only thing they have to do is bring themselves and a pair of sneakers," says Bruce Lipsky. By picking up the complete tab for such a venture, a corporation reinforces the executive's sense of his value to his firm.

Many firms opt to send their employees to out-of-house facilities. "I am a strong believer in using community resources if you have them," says Janet Murnane. Reader's Digest subsidizes its employees by paying half the costs of their external fitness program up to a maximum of $150 each annually. Major corporations as well as many small business firms in the Wall Street area have subsidized their employees to enroll in the nearby Vista Executive Center located in the Vista International Hotel. "Companies may not see the initial $200,000-$300,000 investment required for setting up an in-house program as being cost effective. They do, however, see it as cost effective to send their employees to a facility such as ours where they would pay approximately $800 each for an annual membership," says John Rutigliano. Attendance reports and physiological assessments at three and six month intervals keep the company informed about their investment.

An additional bonus is that insurance companies are willing to lower their premiums for healthy employees. "We worked out a deal with an insurance company that, if somebody could pass our medical department's stress test, and have a decrease in their coronary risk factors, they can get a 40-60% decrease in their individual insurance costs," says Bruce Lipsky.

Most corporate fitness programs accommodate a wide range of individuals. "We have people in our program who were Boston Marathoners. We have people in our program who have had heart disease and even one person who has a pacemaker," says Bruce Lipsky, whose program, however, is limited to corporate executives.

Although everyone can benefit from exercise, John Rutigliano says that "we realize that our program is costly and that as a result, companies enroll only upper management employees because their time is more valuable to the company." Despite the tendency to favor executives, Richard Pyle says that the trend today is toward involving "a wider segment of the business organization—even secretaries."
One solution worked out by Xerox Corporation has about 15,000 Xerox employees eligible for their formal fitness programs with the remainder receiving comprehensive information on fitness through various instruction booklets.

Preliminary Tests

All candidates for a corporate fitness program must first undergo a general physical examination by either the staff physician or a personal physician. “It is a prudent recommendation to see a physician before beginning an exercise program,” says John Rutigliano. The general physical also involves completing a health history questionnaire. When and if given the ‘O.K.,’ physiological data is gathered on each individual to help determine his or her condition. This includes a blood chemical analysis, urine analysis, chest x-ray, and a maximal exercise tolerance test with electrocardiographic monitoring on a motor-driven treadmill. An electrocardiogram (EKG) involves the placing of electrodes on the four limbs and the chest wall to determine the general health of the heart, the pulse rhythm as well as the existence of any heart abnormalities. Apart from physical data, psychological questions are sometimes asked on work and family life. The answers are monitored by a machine similar to a lie detector. All pre-entry data is reviewed by the designated physician. Individual risk factors as well as the total risk for development of heart disease are categorized from a very low to a very high risk level. Based on test results, the individual is given full, limited or no clearance to use the exercise facilities.

Occasionally, heart problems are revealed by the tests. “If a candidate to a program has a heart problem, a cardiologist is consulted as to whether or not it is O.K. for this person to exercise. If approved by the cardiologist, the person is admitted but is watched closely and is monitored more often,” says Dr. Richard C. Warner, former Director of Fitness for the Exxon Corporation.

The new member first attends a session during which the staff provides a thorough orientation regarding the program. At this time, certain anthropometric measurements are taken. These measurements include height, weight, chest circumference, skinfold thickness (to estimate % of body fat), and in some cases, grip strength. This data is added to the original input. All test data and results are explained in non-medical language to the individual by an exercise specialist who then, using these test results, prepares an exercise prescription geared to the specific interests and needs of each person. “Exercise needs to be given the way medication is given—in prescription dosage,” says John Rutigliano.

“This prescription must be followed. We are professionals; let us use our knowledge. If you want to do it your own way, there is plenty of room for you out in the streets. We have too many people waiting to get in,” says Bruce Lipsky. After reviewing the exercise prescription, the individual is shown how to use all equipment safely, and how to take and record his exercise pulse rate.

Programs use a circuit-interval training system consisting of a planned series of exercise stations balanced to develop the three dimensions of fitness—endurance, strength, and flexibility. Endurance exercises, also referred to as ‘sustained activities’ (activities that will maintain a heart rate at a certain level over a specific length of time), are necessary for cardiovascular fitness and are therefore stressed in the program.

Before beginning the series of exercises a warm up is done. “We use flexibility exercises as a way of warming up the body, preparing the muscles for physical activity,” says Bruce Lipsky. “Stretching, prior to exercising, prepares a person for exercise and makes him less susceptible to injury,” says John Rutigliano. Periods of hard and easy work are alternated to vary the heart rate in a range from 30 to 85% of maximum heart rate.

A typical program is illustrated below. Each station emphasizes various major muscle groups:

<table>
<thead>
<tr>
<th>Station</th>
<th>Purpose</th>
<th>Time</th>
<th>Heart Rate Maintained (% of max. heart rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility</td>
<td>Warm Up</td>
<td>3</td>
<td>30-40</td>
</tr>
<tr>
<td>Rowing</td>
<td>Endurance</td>
<td>1.5</td>
<td>50-70</td>
</tr>
<tr>
<td>Chest/Shoulders</td>
<td>Strength</td>
<td>1.5</td>
<td>50-60</td>
</tr>
<tr>
<td>Jump Rope</td>
<td>Endurance</td>
<td>1.5</td>
<td>60-75</td>
</tr>
<tr>
<td>Thigh/Knee</td>
<td>Strength</td>
<td>1.5</td>
<td>50-60</td>
</tr>
<tr>
<td>Treadmill</td>
<td>Endurance</td>
<td>10</td>
<td>80-85</td>
</tr>
<tr>
<td>Situp</td>
<td>Strength</td>
<td>1.5</td>
<td>50-70</td>
</tr>
<tr>
<td>Bicycle Machine</td>
<td>Endurance</td>
<td>5</td>
<td>80-85</td>
</tr>
<tr>
<td>Wall weights</td>
<td>Strength</td>
<td>1.5</td>
<td>70-80</td>
</tr>
<tr>
<td>Hand weights</td>
<td>Strength</td>
<td>3</td>
<td>40-50</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Cool Down</td>
<td>2</td>
<td>30-40</td>
</tr>
</tbody>
</table>
The individual is encouraged to move from station to station with a minimum time interval between each. The average session varies from 30 to 45 minutes, bringing the total time, door-to-door, to an hour or less.

A record card is provided for each participant. On the card are written his goals for each station. The employee records his resting pulse on the card before starting each session. Upon completion of each activity he is instructed to record the percentage of the prescribed goal he fulfilled and his self-recorded pulse rate. “We monitor our participants often. We go around the exercise floor checking to make sure the exercise prescription is being followed, increasing the prescription if needed and checking heart rates to make sure they are not exceeding the allowable zones. The idea is we want to make exercise as safe and as much fun as possible,” says Lipsky. The exercise cards are reviewed daily by the staff with the participant, both to communicate the effects of the exercise and to sustain motivation for continued participation. As general fitness improves, new goals are set.

After a base level of fitness is achieved, a long term card is used and goals are changed less frequently, if at all. At the completion of all stations, a final pulse rate is recorded, which should be no more than 20-30 beats per minutes more than the starting heart rate. The participant is warned not to take a hot shower or use the sauna until his pulse rate has dropped to this level.

“The danger is that some executives, being highly competitive by nature, attempt too much...”

Programs stress the significance of individual initiative and personal interest in health care. Thus employees at Chase and Exxon must request entry into the program, and participate regularly once accepted. Participation of three times per week is the desired goal. Less than this limits the program’s beneficial effects. “Frequency of exercise has a lot to do with improvement,” says Bruce Lipsky.

“We have an unwritten law which states that you must maintain at least 1.5 visits per average week or 6 visits per month to stay active in the program. If not, you get your sneakers sent back in the mail, at which point you should cash them in for more life insurance,” continues Bruce Lipsky.

Although a high ‘drop-out’ rate is unusual, most programs suffer from the fact that repetitious exercise is essentially boring. Centers make use of piped-in music to relieve the tedium. Executives can also be seen reading as they workout on an exercise bicycle. You can get a road map, and over time, plot out the mileage going from, for example, New York to Los Angeles,” Lipsky says.

The key to survival in a fitness program is a slow start and a careful elevation of intensity. Sudden bursts of effort should initially be avoided. The danger is that some executives, being highly competitive by nature, attempt too much and do themselves more harm than good. A close watch is kept for this type of individual to offer them counsel on how to set safe personal targets. Competition between participants is discouraged. One should compete only with himself to achieve the goal set for him. “Exercise, as far as Chase is concerned, should be fun and safe. An all out effort, without training properly, is dangerous,” Lipsky cautions.
"The Check is in the Mail" by R.S. Friedman

Say the word "collecting" to strangers on the street and ask them to free-associate. An older gentleman might speak of his stamp or coin collection. A young suburban boy will mumble of ringing doorbells and asking for $1.25 to cover the week's newspaper delivery. Ask a smiling retailer in an empty store and he could turn as sour as the acid filling his stomach. He, possibly, just got off the phone with a representative of one of his creditors, a collection agent.

"Most of our clients are seeking claims between $300 and $1500, almost all from retailers," said Robert Harper, a professional collection agent. Piled high on his desk and lining the shelves of his book cases are files. Each one represents invoices unpaid.

Each file has a story in it. The particulars may change, but the theme is constant. Anticipating sales, shopkeepers and distributors around the nation fill their racks, shelves and warehouses with inventory made accessible through credit terms convenient to both supplier and retailer. Problems start when the anticipation goes unfulfilled; when customers do not stream in to snatch and gobble up all the goods for sale.

As spendable cash lessens, each actor in the theatre of supply and demand tells his tale as victim. Manufacturers reduce production to stabilize growing inventories; distributors seem caught between aggressive sales reps offering discounts and the reluctant retailers, aware of steady declines in patronage, yet compelled to stock their shelves. House of Adjustments, Inc.(HOA), Mr. Harper's employer, is one of the larger and more successful commercial collection agencies in the U.S. HOA is in business to aid their clients in receiving payment for invoices past due. Mr. Harper views his role as "more of an intermediary than an extension of a client."

One well-known jeans manufacturer is a client of Harper's and HOA's. Representative of much of the garment industry, a typical dispute develops as follows: Lured by lush, expansive trade shows, reeled in by smooth-talking sales reps, retailers across the country browse and place orders for denim to clothe their customers. Special discounts, incentives, and extended terms make it easy for salespeople to do their jobs. When the jeans arrive at the local shops, retailers, at times, find themselves victims of not only the coaxing salesmen and their own grandiose dreams of sales figures, but myopic shipping clerks who "dump" defects, irregulars, and off-sizes in with the original orders.

"Often months go by," retailers claiming mistakes, manufacturers not posting valid credits on their ledgers, creating a mess that "adds up to trouble and hassles in sorting out," states an exasperated Harper.

Most of his claims are 4-6 months old when received. An earnest try is made by the credit departments of the manufacturers. Often the story that reaches the agent via the creditor is not the same as the debtor's, as is the case with dumping claims. You don't have to know your clients' business from the inside, but "you should know your client," instructs Mr. Harper. He's been listening to many of the same people, creditors and debtors, involved in disputes.

"You've got to be strict and aggressive with the debtor..."

What happens when the merchandise is satisfactory, the delivery on time and in good condition; 30 days go by and creditor X doesn't receive payment as agreed? "The first step is to contact the debtor by telephone," says Mr. Harper. They try to reach some sort of agreement as to payment; some type of commitment. Preparation for his initial contact consists of hearing the creditor's end of it and comparing notes with claims involving the same parties. Before the call is made, Mr. Harper has some idea of what's involved and gets ready for a variety of responses. Some are requests for more time, some pin the blame on the creditor. "Most debtors acknowledge the debt," according to Harper. Once the agent, creditor and debtor are in agreement as to the status of the claim, Mr. Harper proceeds to negotiate. "Most debtors value their own integrity," he explains. "If a promise is made, they usually follow through."

Mr. Harper will wait 4-8 weeks from the first contact to hear from the debtor. Sometimes the debtor will fail to
mail the check but will pay if someone shows up at their business to collect. Volunteering to pick up the check "calls their bluff," smiles Mr. Harper. It's a good way to find out who is being straight and who is dodging the commitment.

"You've got to be strict and aggressive with the debtor," says Harper, snuffing out a cigarette. There is a call for compassion also in this business. It becomes apparent in the tact and finesse one must display in the dealings between both client and debtor. As in all arbitration, the mediator is balanced on a thin wire. In the case of commercial collections, pushing too hard for the check could cancel all hope for recovery, while not being as strict as the client would like might lose the account. It comes down to listening to what's behind both stories and finding the thread that will join the two.

"More collectors are needed," says Harper. As the economy worsens, the bad debt lists will grow. Tighter control over credit is called for by many businesses. Suffering from a cash flow that has become a trickle, one food distributor states, "Once they're (retailers) late, it's C.O.D. from then on. I can't afford to carry them anymore." He'd also like to avoid paying the 25% collection fee. But in an economy built on credit with credit, how long can a supplier's C.O.D. policy keep customers and still be able to turn a profit? So long as no one has the answers to economic woes, collection agencies will continue to thrive; the manila folders on Mr. Harper's desk will grow thicker, stack higher, and entomb him with unfortunate stories.
Odyssey of the 2nd Avenue Subway

by John A. Gavin

On the southeast corner of 2nd Avenue and 63rd Street, a massive crane hoisting an imposing wrecking ball dwarfs the construction site. As this awesome pendulum gingerly lifts a loaded dump-truck from below street level, helmeted workmen direct traffic in anticipation of the truck's exit onto the congested street. In “construction-boom,” Midtown Manhattan, this scene is not uncommon. The difference, however, is that steel beams are not going up to build another skyscraper. Construction is headed down—two-thirds the length of a football field below the pavement. After years of deliberation and public pledges, subway construction is at last underway, if at a snail’s pace.

This slow process dates back to October 27, 1972 when the late Governor Rockefeller and Mayor Lindsay attended a groundbreaking ceremony for the 2nd Avenue Subway link between East 99th and East 105th Streets. The 2nd Avenue subway project was aborted three years later for lack of funds. This miscalculation, along with other financial setbacks and priority changes, made subway construction a rocky path from the beginning. But now the vital signs of a new line are evident under East 63rd Street as construction engineers bore through the Manhattan granite.

The Proposed Plan

In September of 1968, the Board of Estimate approved a gigantic mass transit plan. This subway expansion would have added new routes in four of the city's five boroughs and was to be the first major subway excavation since the Independent Subway Line was built in the 1930's.

"The initial scope of the subway was much too large. It was an overambitious program with many dispersed efforts," said Joseph M. Leiper, Deputy Assistant Commissioner of the Bureau of Transportation, Planning and Research. "If we would have focused our efforts on more concentrated areas, we could have been a lot further ahead than where we are now."
The focus of the original plan was a new 2nd Avenue Subway Line running from the Wall Street area to the Bronx, designed to relieve eastside overcrowding on the Lexington Avenue Line. A new crosstown shuttle under 48th Street was also to be built between 1st Avenue and 12th Avenue; this shuttle would have serviced a long heralded Eastside Long Island Railroad Terminal.

With the goal of providing better Queens service, the 63rd Street Line was to be linked to 6th and 7th Avenue trains at their respective 58th Street Stations and routed to Long Island City. A new tunnel was required; this phase of the construction is underway. At Long Island City, new trackage would have been built parallel to the Queens E & F lines and then branched off in Kew Gardens to Archer Avenue in Jamaica.

From there commuters would gain direct access to the Jamaica Long Island Railroad Station. The subway line was to extend eastward to Baisley Boulevard in Springfield Gardens. Spurs at 57th Avenue in Elmhurst would have directed another Queens line under Flushing’s Kissena Boulevard. The line was to approach the city line alongside the Long Island Expressway.

In Brooklyn, the IRT Utica Avenue Line would have extended from that thoroughfare outward to Kings Highway. The Nostrand Avenue branch would terminate at Avenue W instead of Avenue H. In later stages, the 14th Street/Canarsie Line would have received a long needed upgrading and the Bronx was to benefit from a new line which was to replace the defunct Third Avenue El.

Too Many Cooks

“A lot of the subway planning was political. You had Borough Presidents from all parts of the city, Brooklyn, the Bronx, and they all wanted things to be done in their areas,” said Mr. Leiper. “The city got locked into trying to make everyone happy in order to get unanimous approval.”

“By starting this thing (different subway projects in different parts of the city) they felt that they could generate enough momentum to get the system connected,” he continued. “Unfortunately, there just were not enough resources to do it.”

When voters approved a $2.5 billion statewide bond issue, back in 1967, things looked bright for New York’s subway plans. Some $1.6 billion was earmarked for the city with $600 million allocated for transit improvement. The original project had a price tag of $1.3 billion. An additional $500 million was to be borrowed from the city’s capital budget and the federal government would have chipped in the rest. These figures, however, were based on minimal inflation and a 1980 completion date.

“Costs escalated more rapidly than what was provided for and no allowances were made,” said Mr. Leiper. “In the 1970’s the costs went up 10% to 12% per year and it took longer to get the programs implemented.”

Construction from East 9th to East 105th Streets cost $17.5 million and was completed in 1975. Later projects, however, soared to astronomical sums, indicating that the $1.3 billion estimate would run way short of real needs. A portion of the 63rd Street Line in Manhattan from 5th Avenue to Park Avenue was started in July 1974. It spanned only 1170 feet while construction costs ran over $54 million. Nine blocks of underground work on the Archer Avenue tunnel, started in the mid-70’s, cost over $48 million.

Escalating Costs

Rampant inflation also cut down the competitiveness of contractors’ bids. “Before he takes on a job of such magnitude,” says Morris Loshinsky, Deputy Chief
Engineer of Planning with the New York City Transit Authority, "a contractor has to look at how many men he will need, how much machinery, the cost per ton ... For his sake, he has to operate efficiently. If he doesn't watch out, he can lose his shirt." Many of the smaller contractors were afraid to underbid their larger competitors, fearing rising materials costs in an unstable economy. Consequently, the city was at a disadvantage in negotiating prices.

"The 2nd Avenue Subway was the sacrificial lamb..."

With project costs escalating and a fiscal crisis rapidly depleting its budget, the city decided to reevaluate its transit plans. In addition to the first site at East 99th to 105th Street, contractors had now completed an even larger strip from 106th to 120th Street. The total cost of these two sections exceeded $55 million. The only other 2nd Avenue Subway excavation was underway downtown between the Bowery and Chrystie Street; financing of this project was entirely city funded. Transit Authority data reveals that in January 1975, $10.9 million in city funds and $1.2 million from the state paid for digging on the Lower East Side. Mayor Beame then abruptly ordered the Bowery contractor to stop operations and to repave the streets. Millions had already been spent on this downtown project before the city determined that it would be cheaper to abandon the Second Avenue Subway than to face fiscal uncertainty.

This change of policy lead to an outcry from Manhattan residents. Many looked at this as a broken promise to relieve overburdened eastside subway service. Some didn’t see money as the main problem. "The 2nd Avenue Subway was the sacrificial lamb," said Boris Pushkarev, vice president for research for the Regional Plan Association. "Sure, that project was city funded, but many other Lower Manhattan projects could have been federally funded if they had wanted them to be."

A study by the Regional Plan Association, a research and planning agency, revealed that in late 1974, $489 million from the 1967 bond issue was still uncommitted. Using those remaining dollars while availing themselves of federal mass transit matching funds, the study concluded, the city could have proceeded. Almost $2 billion could have been granted by the Federal United Mass Transportation Authority, relieving the city of further contributions. The report indicates that these funds would have completed the Queens program and the northern portion of 2nd Avenue—while remaining free of the city’s fiscal problems.

Lower Manhattan merchants were appalled by abandonment of the 2nd Avenue project. Edmund F. Wagner, then president of the Downtown-Lower Manhattan Association, told reporters, "more state and federal help is needed. One of the most constructive places where the federal government could help provide new jobs is in a project such as the 2nd Avenue Subway." Mr. Wagner added that 80% of the workers in Lower Manhattan travel to and from their jobs by subway.

But the city was experiencing a major decline in ridership. Edward C. Burkes pointed out in a New York Times article that overall daily ridership dropped from 5.5 million Post World War II passengers daily to 4.7 million in 1964 and 3.7 million in 1974. The double impasse of declining ridership and stagnation in New York’s growth left many city planners wondering if the new subway construction would be necessary.

Queens Transit Priority

Evidently some work was still justified. "Even though ridership had been declining citywide, we found that passenger levels in Queens had remained quite stable," said Richard Chudd of the City Planning Commission. "We also found that Queens had the least service of any of the other boroughs."

At the time of the construction halt, a significant amount of work had been done in Queens. The East River tunnel, started in 1969, had been finished at a cost of $69.5 million, while the $40 million Central Park Tunnel leading toward the river was 95% complete. In Southeast Queens, two sections of Archer Avenue were near completion with $35 million invested. Existing tracksage on the E, F, and LIRR lines made the Queens project more attractive.

"The Queens program seemed a shorter bet. It was pragmatically further advanced," said Mr. Leiper, who also served as Project Director in the Queens Transit Alternative Study. "The Archer Avenue project also affirmed the City’s recommitment to the redevelopment of Downtown Jamaica."

A scaled down version of the original Queens plan is proceeding. The 63rd Street Line will link Sixth and
Seventh Avenue trains to a Long Island City station at 29th Street and Vernon Boulevard. The Archer Avenue project will make it possible for the Jamaica E, F, and J lines to converge at a new Parsons Boulevard Terminal.

**Ambitious but Expensive**

Construction is continuing at a slow but steady pace, creating stations with features heretofore unavailable. “Design put a burden on the Transit Authority and the scope of work was expanded,” said Mr. Leiper. “New standards required by the government, and local desire for more extensive stations than originally considered, more than doubled the cost.”

Work on the new Lexington Avenue Station, started in May of 1982, is expected to be fully completed by late 1984. Among the amenities will be elevators for the handicapped and elderly, acoustical ceilings, ceramic tile, glazed brick wall finish and stainless steel column enclosures. This $17.5 million station will be 80% funded by the federal government, 15% by the MTA and the remaining 5% by the city.

“The last section of the 63rd Street project in Manhattan (between 3rd Avenue and FDR Drive) is under excavation, using both a tunnel boring machine and the drill and blast method. Cost estimates range as high as $186 million for the two level tunnel. The bottom level is expected to carry LIRR trains discharging at the proposed Eastside terminal. New Yorkers may note two disruptions: a one lane entrance to the FDR Drive and a major shaft at 2nd Avenue.”

Mr. Loshinsky expects the 63rd Street/Long Island City trains to be running by the end of 1984, with the Archer Street tunnel in operation by mid-1985.

**Prospects for the Future**

Three major routing plans are under study to fully utilize the city’s $1.3 billion investment. Within these, there are 14 specific alternatives. One plan calls for a Northern Boulevard connection from the new Long Island City terminal to Queens Plaza, routing 63rd Street trains onto the E and F trunkline. This would relieve congestion in the existing 53rd Street tunnel to Queens.

More elaborate plans call for the usage of the LIRR lines. The Montauk Line is underutilized, mostly for freight service. A transfer could be made at the LIRR Yards to the subway system at the Long Island City subway terminal. A low LIRR fare policy would prove attractive to subway riders. Another variation of this plan calls for a subway extension beyond the Parsons Boulevard terminal to connect with the LIRR Atlantic Branch as far east as Rosedale, providing one-fare service to Southeast Queens.

Jamaica residents who stand to benefit the most from an extended subway system are less than celebratory. Maybe the years of unfulfilled promises have worn them down. “I have not heard any complaints about the new subway not serving enough people,” said Dora Young, a Jamaica community board district leader. “It’s only going to extend about six blocks further out here than it did before, but we are glad that we are going to have what we are getting.”

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DOLLARS and $ENSE, May, 1983

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Living Room Banking

When Chemical Bank introduced its home banking system, PRONTO, last September, it was the first to offer such services to its checking account customers in the metropolitan area. Following fast on Chemical's heels, Chase Manhattan Bank and Citibank also decided to conduct home banking pilot tests within the New York area. All three banks provide similar convenient banking services and all three, to date, share predictable shortcomings.

Home banking will mean the ability to transfer funds between accounts, pay bills, and establish financial management services, such as budget guidelines. Eventually, home banking may enable the consumer to make sophisticated investment decisions or apply for loans without leaving the living room.

Yet despite the convenience of home banking, this latest advance in electronic technology has its drawbacks. For one, a visit to a branch office will still be necessary to deposit or withdraw money. Therefore, consumers should realize that home banking may not necessarily reduce the number of trips made to the bank.

A second drawback relates to cost. The 200 randomly selected participants of the PRONTO test pilot, conducted since November 1981, were equipped with Atari 400 or 800 home computers at no charge. In the fall, however, when PRONTO is expected to go commercial, users will furnish their own computers at a cost of close to $400.

The PRONTO system includes the Atari computer, a television set and software developed by Chemical Bank, which can be connected to the bank's Tandem computers by telephone. Users of the system insert a specially developed cartridge into the computer and then direct the computer to carry out desired transactions.

Confidentiality Still an Unsure Factor

Storing confidential information in a central data base that serves thousands, even millions, may leave potential customers apprehensive about tying into the system.

To ensure privacy, security safeguards have been built into the PRONTO system. Each household is assigned an identification number and each authorized member of the house selects a personal I.D. number and code name.

"Of course, no system is completely foolproof," commented Robert Hill, senior vice president in charge of Chemical's Trust and Investment Department. "But the safety devices will limit unwanted interference," he said.

Although home information systems are supposedly safeguarded, users will have to contend on occasion with computer breakdowns and billing errors.

Home Banking May Be Too Costly

The shift of banking activity to the home may lead to a decline in the demand for bank tellers and related customer service positions. An AT&T study indicates that bankers view at-home banking as a cheaper alternative to building and staffing new branch offices.

Many financial institutions, however, are hesitant about investing in home-information systems. Although the banking industry is confident of efficiencies, there are substantial start-up costs including those of developing software to operate the system, and acquiring the larger computer to mate with home users. Ultimately, there is the cost of the marketing effort needed to introduce the system.

Actual cost to banks for investment in a home banking system has not, thus far, been disclosed. Mark Holthouse, vice president of Home Information Services at Chemical Bank, declined to reveal the amount his company spent on PRONTO but said that "he suspects costs are approaching the eight figure mark."

To date, there are no successful precedents. The United American Bank of Knoxville, Tennessee, which was one of the pioneers of the home banking industry with its service "Bank at Home," was declared insolvent as a result of loan losses and was closed in February, 1983.

Advanced Technology Can Lessen Costs

The drive is already on to lower operating costs through expanded technology. In 1978, there were only about 10,000 automated teller machines throughout the country. By 1981, there were 26,500 and more ATM's are going on line daily.

On the home front, by 1985 an estimated 9 million home computers will be in use, according to U.S. News and World Report.

Today, more than a dozen home banking systems are either in test or full operation. Subscribers to these services are charged a monthly fee ranging from $5 to $10.
Electronic bill payment reduces the costs of writing and mailing checks and can offset the monthly service charge for the customer who uses the bank heavily.

**Phones Play Important Role**

In order to conduct these banking practices at home, customers must be willing to tie up their present telephone lines while transactions are being made or be willing to install a second telephone line at a cost of up to $100.

Some 95% of American households already have telephone lines representing many potential bank-at-home customers. These customers have the option of using banking by telephone operations similar to the pay-by-phone system developed by Chase Manhattan Bank called “Chase.”

Chase’s device looks like a regular push button telephone except for a small electronic strip, above the buttons, which resembles the screen of a pocket calculator. Using the phone’s keyboard, bill payment information is entered before the subscriber calls the bank’s computer, where all transactions are carried out. Telephone bill payment has its drawbacks. Since the consumer cannot actually see the transaction, as is possible with the video screen of the computer, the process may not be as widely accepted.

One advantage of PRONTO and systems like it used by banks throughout the nation, which engage personal computers, is that when not in use the computers can be used to play video games. The Atari computer is one of the cheaper models but Chemical has hopes of making PRONTO compatible with more sophisticated home computers like Apple, International Business Machines and Xerox.

With hopes of licensing the system, Chemical has demonstrated their system to approximately 250 other banks but it has not expressed any interest to enter the hardware and software industries.

One banker is exceedingly optimistic. John Farnsworth, senior vice president in charge of Chemical’s Financial Service Division sees a rosy future for computerized banking. “We believe that PRONTO will revolutionize the ways consumers carry out future banking activities.” $4

The supermarket scanner, an appealing innovation designed to make shopping quicker, easier, and more pleasant, has arrived in some local supermarkets. According to an Illinois consulting firm, supermarkets recorded almost 38% of sales through scanners in 1982, more than twice the 1980 figure.

The main reason for the scanner’s growing popularity is the national use of the Universal Product Code (UPC—the black and white bars and numbers which appear on the bottom of 95% of all grocery items). Instead of the cashier having to look for the item price, he/she just has to pass the UPC over a glass window. Under this window, there is a laser scanner. The scanner reads the UPC and “looks up” the price of the item in the computer’s memory. The customer’s receipt identifies the name of the product and its price. When the scanner “beeps,” it is ready for the next transaction.

A scanning system, which consists of a scanner, point-of-sale terminal, and computer, can cost between $10,000 and $15,000. Pathmark, a large supermarket chain in the New York area who started using scanners when they were first introduced in 1974, has spent an average of $150,000 per store to have scanners installed in 85 of their 120 stores. The main reason given for installing scanners in Pathmark stores was to “improve productivity, which involved three elements: cashier front-end productivity, automatic ordering, and inventory management,” says Mr. Robert Wunderle, an economist and vice president of public affairs for Pathmark. Wunderle says that costs have been kept down because the scanner is “an off-set to increasing labor costs and a device to measure and control pilferage.” When asked if he could give a dollar figure to the saving, he replied that although he was not able to give out that information he could say that the scanner would “pay for itself in less than two years.”

Pathmark is not alone. Giant Food Inc., a large grocery chain in Washington D.C., conducted a study in 1978 that indicated that a Giant store which grossed $160,000 per week in sales was able to save more than $6000 per month when equipped with scanners. The Giant study
also revealed that a 28 item order would take 3.8 minutes with a conventional cash register but that it only took 2.2 minutes with a scanner. This amounted to an average time saving of 42%.

As the result of this study, Giant Food (according to Consumer's Research Magazine, October 1981) decided to eliminate item pricing in all of its stores in the Washington/Baltimore area and, simultaneously, to cut prices on more than 1500 items. Such price cutting was supposedly the direct result of the elimination of item pricing.

Consumer activists, however, are deeply concerned about the elimination of item pricing. They fear that the removal of item pricing will eliminate the consumer's ability to do comparison shopping and will make it easier for the supermarkets to increase prices without the consumer knowing it.

Authors Ray Bonner and Trina Ostrander wrote in The Los Angeles Times that: "The industry effort to introduce the Universal Product Code System as a substitute for stamped prices is a system that guarantees increased profits for the supermarkets but undercuts the shopper's ability to buy wisely."

"If the glass window is dirty or scratched, it may list an incorrect price."

So far 10 states have adopted laws to ban removal of item pricing by supermarkets and other retailers. However, a study conducted several years ago by the District of Columbia's Office of Consumer Affairs found that 54% of the shoppers did not feel that item pricing was very important and that only 6% of those surveyed complained about the elimination of item pricing. Similar studies were conducted in Washington and California. In Washington, the Washington Post reported that out of 60 people questioned, 45 favored elimination of item prices if it made prices stay lower and only 10 preferred individual item pricing. A study in California showed that the more the customers were able to save, the higher the percentage in favor of item pricing. For a $5 saving annually, the percentage was 52%, for $10 it was 63%, for $20 it was 74% and for $50, it was 84%.

For the most part, consumers are accepting scanners but there have been some complaints about the scanner's accuracy. The Suffolk County Department of Consumer Affairs did a survey which found that out of 25 shopping trips (at 11 stores equipped with scanners), there was some kind of error on 10 different occasions. Most of the errors were the result of overcharging or undercharging, taxes, and/or sale items. Bob Wunderle of Pathmark admits that occasionally "price verification" errors (errors in price) do occur but that they are mainly due to the stock clerks not changing the prices on the products. "In 99% of the cases, the marked price is in error rather than the scanning price," Wunderle says. However, a front-end manager for one of Pathmark's stores explains that the scanners are "very sensitive." If the glass window is dirty or scratched, it may list an incorrect price. If the UPC is wet, not printed clearly, or not passed over the glass window properly, there is also a possibility for error.

IBM and National Semiconductor Corp., manufacturers of scanners, have introduced new scanners which will supposedly eliminate these errors. IBM has come out with a holographic scanner that can read the UPC with a 180 degree field. The company hopes that it will help pick up some lost ground to NCR who right now has 38.7% of the market (IBM is second with 27.3%). IBM feels that its new scanner is faster and makes fewer mistakes. National Semiconductor Corp., on the other hand, has come out with a "Positalker." This is a scanner that actually talks. It calls out the price of the items as they are passed over the glass window. Since this machine is much slower than the ordinary scanner, theoretically it would make it easier for the customer to catch any errors. The customer is able to keep his/her eyes on the passing item while hearing the price.

Customers and supermarkets are both benefiting from the technological advance of scanners. Customers are pleased by the fast-moving lines and lower prices. As for the supermarkets, they are able to determine their product mix from the information in the scanner computer. This information can tell them what items are selling more quickly than others. Ultimately, the scanner can help them decide how much of each item they need to meet daily demand. In other words, scanners can be a step in the direction of heightened supermarket efficiency.
Stress Strategies

As executives face increasing pressures and responsibilities, stress has become a topic of major concern. It is part of the territory in any job. For most workers, occupational stress can be a major health problem. While a certain degree of stress is necessary for us to remain ‘on our feet’ in today’s business environment, an overload can cause illness and hinder our job performance.

Dr. Hans Selye, renowned expert on stress research and Professor Emeritus at McGill University in Montreal, characterizes stress as the physiological and psychological response to demanding circumstances. Many doctors cite stress as a major cause of high blood pressure, a disease which afflicts nearly 37,000,000 people in the United States alone (1980). Stress is also believed to be a contributing factor to heart disease, according to Heart Facts, a survey compiled by the American Heart Association. Last year, once again, heart attacks and strokes were the leading causes of death in the United States.

What to Do

The good news about stress is that there are ways to manage and minimize its negative effects. Because stress affects our well being in every way, it is vital to be aware of the signs and catch them before they catch us.

Typical symptoms include irritability, fatigue, headaches, changes in eating habits, and lack of concentration. The symptoms can be observed but they are not always noticeable. Poor decision-making, irrational thinking and acting, and low self-esteem are just some other stress indicators.


There are many stress producing factors at work. Stanley Frankel, vice president of Ogden Corporation, considers one cause of stress to be “self-imposed discipline whereby the employee himself feels various sources of pressure, perhaps because of the nature of his job, his boss, his peers, or the pressure of just showing up for work in the morning. The nature of the job is a principal source of stress,” Frankel says.

A person’s frame of reference or perception of the work
situation often contributes to stress. "Their attitude about the job, about their position in the job, their own sense of security in the position—has a lot to do with the pressures they perceive," says Dr. Nina Lutwak, a New York psychologist and assistant professor at Baruch College (CUNY).

Dr. Lutwak believes that situational factors can contribute to stress and that people are not only affected by the "kind of options they have but more importantly by how they feel about their options."

Of course, a certain amount of stress is necessary to motivate people and keep them productive. "At times I wish certain people felt stress when they're given an assignment because that might cause them not to delay and make them work harder," says Mr. Frankel. "Stress is like fear. Fear is not a good thing, but some fear is very good. It gets the adrenalin moving which often enables us to do things beyond the normal capacity."

Some people thrive on stress and work best in an atmosphere of change, adventure, and stimulation. "They see it more as a challenge, a demand, something to be conquered," says Dr. Lutwak. "Some people function best under time pressure, whether in their job or at school," she continues. This explains the student who confesses, "I always cram for an exam. I work best under pressure."

Negative Effects

There is, however, a negative impact when there is either an overload or an underload of stress. When persons feel overwhelming stress, their productivity is affected. "They begin to catastrophize," says Dr. Lutwak. "They blow everything out of proportion." The reverse, she says, is where they do not find their work stimulating enough. "They feel that they have something to contribute but the company is not adequately tapping their resources." In either case, the uncertainty and confusion can lead to an unbalanced self where priorities are out of order.

Managers can play a role in reducing stress among their employees. Dr. Joel M. Lefkowitz, a New York psychologist and Professor of Psychology at Baruch (CUNY) says communication is a stress-reduction technique that is very essential. "The manager can encourage employees to talk about it," he says. "Managers should try to ascertain to what extent the stress is related to issues or problems that the supervisor could do something about. Although there is a possibility that the supervisor may not be able to do anything," Lefkowitz says, "the attempt should be made to open up and listen."

It is important to recognize when we are overstressed. "Continued stress inevitably has damaging effects," says Dr. Lutwak. She attributes the rise in drug usage and alcoholism to the need to escape. "People look for mechanisms to run away."

"You don't have to stay in the kitchen if you don't like it," says Mr. Gordon. "There are ways to deal effectively with stress to reduce its negative impact. There are structural remedies which are possible including changing a job, protecting your privacy in various ways, scheduling with precision, and prioritizing," he continues.

"The stress is not in Woodstock, N.Y."

Relaxation Techniques

There are also personal and intrabody solutions—relaxation techniques, biofeedback, progressive relaxation, hypnosis, and meditation. "These are all built on the idea of a competing response. They use relaxation to counteract arousal," Gordon says.

The Stress Workshop helps many NYC corporations and businesses, including client J.M.B. Income Properties Limited, combat stress (a projected expansion is scheduled for Stanford, Conn.) "A stress program that works has to be well designed, take place in-house and provide a corporation with some means of evaluation," Gordon explains. "Yoga centers, the Himalayan Institute and the like all do stress management programs but essentially they are a hook to get you into the whole world view. Part of that whole view is usually non-competition. Now for a businessman, that's crazy." Another disadvantage of one of those programs, says Gordon, is that they take you out of your environment and "throw you into the middle of the woods. The stress is not in Woodstock, N.Y. Most people know how to take a vacation. You don't have to train them to do that."

Bill Dennis, a counselor and coordinator of services at the Center for Holistic Medicine, a branch of the Himalayan Institute, does not deny that a stress management program conducted on site is helpful. He adds,
However, "If someone is willing to put themselves in a certain environment and make a full-time commitment toward training for five days, that is much more helpful than receiving a little bit of training in an environment that is meant for something else." This is the reasoning behind holding training sessions in areas outside the city. "You have to get away to get a perspective on yourself. This is the whole idea of retreat," Dennis explains. The Institute's retreat and national headquarters is located in Honesdale, Pennsylvania, near the hills of the Pocono Mountains.

The Ananda Ashram Yoga Society has retreats in upstate New York, both at Monroe and Corning. At Monroe, Dr. Sarasvati (Mary Tasch) teaches people how to relax by offering therapeutic massage, sauna, meditation, yoga and other relaxation techniques. Currently, they are using a very ancient fire ceremony at sunrise and sunset called agnihotra. "If you tune in that energy vibration, there is a very extraordinary healing quality in the atmosphere," says Dr. Sarasvati. In addition to the practice, they do some form of "chanting and offering to the fire" any time people feel stressful. "They learn by that focus and concentration, to surrender to the element of fire, to dissolve and drop their stress."

Mr. Gordon believes the issue is to teach people how to relax in their work environment and at home. He does not feel that such short-term programs are really effective. "There's no way to modify a person's method of coping with stress in two days. If you spread out those two days into an hour once a week, you would probably have a lot more impact."

"A lot of it boils down to how you see yourself..."

Being active and exercising regularly is another effective way of reducing stress. "Certain kinds of exercise, particularly aerobics exercise is useful in reducing stress," says Paul Couzelis, Director of the New York Cardiovascular Health Institute. Good aerobic exercises include walking, jogging, swimming, and cycling.

Maintaining a good diet is also essential in reducing stress in our lives. Sarama Minoli, a nutritionist and yoga instructor at St. John's University (NYC) lists as high stress-inducing foods: meat (red), coffee, sugar, salt, chocolate, any drug and anything that is addictive." She recommends low stress foods such as fruits and vegetables and a high fiber diet.

**Body and Mind**

The interrelation of body and mind makes a good mental state as important in reducing stress as a healthy constitution. Meditation is a popular technique practiced by many people who want to reduce and/or cope with stress. It involves the relaxation response to stress whereby a person, in a trance-like state, concentrates on his/her breathing. "There is no question that meditation has many good effects on the physiological level," says Justin Catz who teaches meditation techniques at The New School in addition to serving on the Baruch College English faculty. "Certainly a person who is facing personal problems can meditate and try to find the answers to these problems within himself." Catz believes that meditation is for everyone and that one doesn't need any special knowledge or capacity to meditate. "Meditation will help a person become calmer, more secure, and more confident. It will help him utilize his energies more efficiently."

There is no magic formula to deal with stress and there is no one best way to handle it because our personalities are distinct.

Each individual reacts differently. But most stress experts and psychologists would agree that good self-esteem and a positive outlook play a very significant role in a person's ability to deal with stress.

"I try to put my job and other things in perspective," says Mr. Frankel. "I'm an optimist and I overcome stress by taking a very optimistic, positive view towards job-related problems."

Justin Catz agrees with Frankel's strategy. "The inner world is the interpreter. It is the crucial area for understanding and dealing with stress. How the events happening around us are interpreted is more important than the events themselves."

Stress can be reduced if a person changes his perception of an event from a negative one to a positive one. "A lot of it boils down to how you see yourself, your own self worth, your own self-esteem," says Dr. Lutwak. "What typically happens is that people will make little things into big things. Because you are under a lot of stress, you tend to do that. You lose the ability to see things for what they are."
Computer Takeover?

by R.S. Friedman
South of Canal Street, at the corner of Hudson and Harrison, there is a red brick building which once housed the Mercantile Exchange. Not too long ago, neighborhood businessmen bought and sold the northeast’s breakfast there.

Like many other wholesalers, the Exchange has now moved: merchandise to New Jersey, trading floor to the modern facilities at the World Trade Center. The move reflects a much greater change in the control of the world’s basic foods. The price of eggs, and the prices of other commodities, are now controlled by men and women who rarely come into contact with the commodities themselves. These people are part of the powerful world of commodity futures trading, a world that is becoming more technical by the minute.

Speculation, free trade, and strong opinion have always been at the heart of commodities trading. During the past few years, however, computers have invaded this industry. Some view this technological jump as a way to instant success in the commodity markets. Other minimize the importance of high-speed information retrieval, with many even discounting it completely. But the fact remains that billions of dollars are at stake everyday, riding the crest of an information wave that breaks constantly and multi-directionally.

A computer is basically an information gatherer, sorter, correlator, and memory bank. So it is not surprising that everyone in the commodity markets comes into contact with technology at some point in the trading process. For the commodity investor, interpretation of the facts and trends stored in the machine’s memory, along with the weight given each variable and bit of information, results in the market decisions and plans of attack for the day’s trading.

As trading tools, computers fall into three general categories: raw data reporters, specific trend watchers, and multi-trend analyzers. All the information is objective. Application of the information distinguishes one trading technique from another. Ironically, the choice of information, the subjective, human aspect in technology, can be the key to success or failure in the markets.

Raw Data

The term raw data has a precise meaning. Hundreds of money management firms, systems analysts, and brokers around the country make simple price information available to subscribers. Using main-frames (stationary, central storage units of computer systems), high and low prices of specific commodities at each exchange are recorded and stored. The larger the main-frame, the more information is available to a greater number of users simultaneously. Price fluctuations can be graphed or charted and sold to customers.

Charted information can differ in accuracy, the time periods covered per graph, whether the charts contain daily highs and lows or trade-by-trade prices, and the rate of delivery to the subscriber. Charting costs, too, vary greatly, ranging from the do-it-yourself style, which costs no higher than subscriptions rates to newspapers, to $150 per year or more which buys 62 prepared charts every other week, covering major commodities and exchanges around the world. The time and energy needed for individual charting is great, while errors can be frequent. A misquote from a “reliable” source will throw off even the most sophisticated system.

Raw data information is necessary for systems development; most technical and mathematical systems are based on these reports. What raw data charting does not offer is real-time information—market reports as they happen. Most brokers will tell clients that an essential part of any strategy is current information.

Micro-Computers

With the advent and proliferation of the home or microcomputer, commodity analysts have enhanced raw data by making it available on floppy discs and program tape compatible with, among others, the Apple II and Radio Shack TRS-80 units. This allows the combination of an individual’s system with recorded price information to start signaling trends.

The amount of information accessible to the home computer owner is overwhelming and increasing rapidly. Systems analyst Steve Ferguson told a Commodity Magazine writer (Sept. 1980) that “The micro-computer user must acquire data effectively; otherwise, the trader will grow frustrated out of the sheer enormity of inputting numbers.”

For home and individual analysis and trading, the micro-computer is fast becoming the most important trading tool around. George Angell, an authority in commodity analysis, has written: “Software is available to keep track of your profits and losses, handle price data, construct bar and point-and-figure charts, and more importantly, provide key buy and sell signals based on a host
of systems, from moving averages to on-balance volume."

Because of the high volatility in market trends, "systems that prove profitable are often short lived," Mike Marriott of MJK Corp. told Mr. Angell. MJK specializes in time-sharing, which is gaining popularity because "it allows the commodity trader, even in a distant locale, access by telephone to sophisticated computer equipment at low cost."

Digital Research, Inc. of Pacific Grove, Ca., has developed a new system called CP/M. It is a translator, which takes any original program purchased from one of dozens in the commodity research community, and translates the language for use on your specific microcomputer. This gives the user more of an information base to calculate market strategy decisions.

**Multi-Trend Capability**

The home computer has one major flaw in its system design, namely, the lack of multi-trend capability. The Computer Machining Technology Corp. (CMT) in Moonachie, N.J. is changing this. CMT's Tradecenter system displays graphs over wire, with trade-by-trade updating. Receiving information from six exchanges across the country, Tradecenter relays it and displays it graphically on the home computer. The base terminal analyzes market trends, provides long and short-term analysis, while constantly updating prices on a trade-by-trade basis. A system such as Tradecenter incorporates raw data with real-time information. It points out trends and advises trading moves.

**Role of the Brokers**

With all of this information to choose from and use at home or at the office, where do the brokers fit in? They are the men and women most in touch with the markets. They analyze the same information as everyone else, formulating theories of their own. But brokers are also the people who execute trading orders and they, therefore, must watch the markets with a keener eye than anyone else.

There are no typical brokers or standard philosophies. There are fundamentalists, who, watching world affairs, crop yields, weather conditions and a host of other variables, weave together the information and predict what effect these factors will have on the commodities. There are technicians, looking at numbers on a screen or graph, watching trends in the flow of numbers and subsequently basing their moves on trend analysis. Finally, there is an entirely different breed of broker—the floor trader.

The range is enormous. Like the outside systems designer, every broker has sources, ideas, and opinions. "I trade with a cold heart and an iron hand," says one broker. His system, Multi Trend Analysis (MTA), took over 10 years to develop. Its success rate is more than 70% winning trades, and when you consider that over 80% of commodity traders lose money, his percentage isn't bad. MTA users believe every market has its own trend, its own flow. There are thin markets, where trading volume is low, having longer cycles than high-volume markets. Success lies in discovering specific mathematical trends and flowing with them. "Most people lose money because of emotions, stubbornness, and bad timing," claims an MTA spokesman. The MTA system allows the mathematical trend to dictate trading positions. Using moving averages, MTA tracks specific commodities for a 10 day period, constantly dropping the 11th day from the chart, but keeping it in memory, producing a fluid picture of price movements.

"I trade with a cold heart and an iron hand"

Along with the moving averages, high and low price channels are overlaid, pointing out advantageous entry and exit points. Included with these trend motions are oscillator readings detecting trade-by-trade movements. Every conceivable variable has been entered and weighted in MTA's main-frame computers.

**The Human Element**

When all the elements that go into a trading position have been reviewed and reassessed, an order is placed with a broker. At this point, the human element becomes the most important one in the system. The smooth, overall flow of price fluctuation that has been crucial to the entry point and position taken on a trade is history once the order has been called onto the floor. The order affects the real-time trend, making the position taken just another bit of information available to use in the next trade.

The general flow of prices is referred to as liquidity. Technicians rely on liquidity to base their positions in mathematical reality. They react to the flow and move in
and out of the market accordingly. Fundamentalists react
to factors throughout the world and make trading deci-
sions that also affect the flow, at times countering the
technical approach. This creates some volatility in market
prices and is another factor in decision making.

According to some brokers, the floor trader is the key to
market liquidity. The floor trader assumes the liabilities of
owning a futures contract when he buys it. Knowing
he/she is accountable for the full value of the contract
should the trade go against the position chosen, the floor
trader is constantly trading contracts in the hope of offset-
ting losses and bettering his/her overall position for the
day.

Exchange Floor Behavior

The exchange floor has been described as the ‘last frontier.’ It is one of the last places on earth where someone
can make millions based on strong will, opinion, and
timing. The same person can go bankrupt in hours by simply
being “off” one day. When an order comes in from a
brokerage house or private account, runners hand the
order to a floor broker standing around an octagonal pit.
The floor broker tries to fill the order as close to the price
requested as possible. Standing around the pit are other
traders and brokers who will complete the transaction.
They will either sell the contract to a broker looking to buy
or vice versa. Anyway one looks at it, there is risk in the
trading. Someone is betting the price will rise while some-
one else iscountering that position. Who will make
money? Only the next trade will tell.

The liquidity on the trading floor is influenced by the
risk-taking of the floor trader. Many different elements af-
fect his/her decisions. There is each trader’s financial
backing, which will dictate for some how long they’ll ride
a trend. Some traders operate by knowing their oppo-
ponents in the ring—sensing when one is vulnerable to an
aggressive move and taking advantage of it. There are
stories of people breaking down in tears over a move
against them, stories of a man dying in the ring and
business going on as usual. Only the closing bell stops the
highest stake game in the world.

While their behavior may appear bold and ostentatious,
floor traders are as tight-lipped as magicians. It is hard to
get a concrete statement from one regarding strategy or
decision making. There were a few willing to say that they
basically “flow” with the floor. They read the morning
paper on the way to the exchange, evaluate the previous
day’s trading, but all this generally takes a back seat to
tuning in on the other traders around the pit. Some make
moves to bolster their long term positions, while others
trade hard and fast, scalping the profits from the top of the
trade and walking away.

Where do computers fit into their lives? Mostly at their
accountants’ offices. The average pit is open five hours a
day. Trading is non-stop. There is no time for analysis or
charting, or calling one’s advisor for direction or instruc-
tion. These men and women operate on strong opinion,
strong will, and knowledge of their opponents. Everyone
standing around that pit is an enemy during trading hours.

There have been attempts to computerize the floor
trading process. One example of this is the new Interna-
tional Futures Exchange, LTD, (INTEX) in Bermuda. Now
in the process of seeking members, INTEX officials intend
to use ”Black Box” equipment designed by Tandem Com-
puter, Inc., which will enable brokers in New York and
London to sit in their own offices and ‘fill’ their orders by
way of telephone lines. The goal is dispensing with floor
traders since all orders will be executed by computer.

Prices for seats on the INTEX Exchange are currently at
$12,500, reasonable considering that a seat on the metals
exchange during the gold rush a few years ago was going
for over $200,000. There are 650 seats and many remain
vacant. One reason is caution. Another reason is lack of li-
quidity. Brokers with hookups to the “Black Box” cannot
see their opponents, only flashing numbers on the screen.
There is no human element, no vigor, no competition.

With increasing technology, computer-related indus-
tries will continue to make advances in commodity
analysis and trading procedures. But with the majority of
money being traded by a small group of young, aggressive
gamblers, the computer micro-chip has a long way to go
before it will control the heart of the commodity industry.
would not be possible.

The Process

 Basically, it takes the same amount of time and effort to make a non-profit advertisement as it does to make any other ad. "Ideally, we need to start working on a campaign a year before," says Mrs. Schimel of UNCF. As client organizations, UNCF and the Red Cross meet with their individual campaign manager, volunteer advertising agency and volunteer coordinator to create the campaign. First, the four A's assigns a volunteer advertising agency to each client organization. Most organizations maintain the same advertising agency for about five years or more. In fact, the Red Cross has been with J. Walter Thompson Agency for 25 years. A campaign manager from the Advertising Council also stays with the campaign throughout its existence. In addition, the Association of National Advertisers assigns a volunteer coordinator to each client organization. "The volunteer coordinator is usually a vice-president of some major advertising organization and acts as an advertising manager of the campaign. He gives us his expertise and he makes sure that the agency provides what the client wants," says Mrs. Hangely.

Once the campaign has been accepted by the Board of Directors, a task force is formed which consists of a representative from the client organization, a campaign manager, and the volunteer agency/coordinator. Thus, the client organization tells the ad agency what their most pressing problems are or what they would like their ad theme to be. The advertising agency then develops the strategy by transforming all their creative talent into an ad. They then present it back to the client organization.

"Once everyone has approved the finished ad (both client and the volunteer coordinator), they give us the mechanicals and the master tapes and we reproduce and distribute the material to all media. We promote the campaign to the media and we follow-up on the media use," explains Mrs. Hangely.

The campaign manager will promote the campaign by sending out a mailing kit to every media station in the country. "We have different committees, radio, television, etc. Members of these committees are also members of our board, active in their respective media. In order to promote the campaign, these people will write to their own media urging them to use the material," Mrs. Hangely explains. The media kit is distributed to all the client organization's offices as well; their job is to get in contact with their local broadcasters. The volunteer coordinator also takes part in writing to stations and newspapers on his own company letterhead. This process of putting together a campaign usually requires about a year's work. However, some campaigns have been completed within six months. "If you think all the effort comes from one side," Harriet Schimel says, "you are wrong; we all work as a team in putting the ad together."

Beyond individual or team effort, there is always that most basic matter of the budget. Hilda Gurjuthr, Director of Advertising for the Red Cross, believes that "you must create a budget before you can create anything." A client organization must state how much money they have available for the out-of-pocket costs of producing the campaign. "The expenses have to be determined first, and based on that, we can develop a media plan for them," says Elenore Hangley who is also campaign manager for the Red Cross. In other words, the Ad Council serves as a consultant, helping organizations determine which media will give them the most for their money.

Every client organization must pay for production of the campaign. A basic campaign in media runs about $150,000 in out-of-pocket cost, and that amount on the average will receive about $20-million worth of time and space in media. An advertising agency is reimbursed for out-of-pocket costs if they have to go to an outside vendor or supplier. "For instance, with television, they have to enlist the services of a film producer. They must pay the producer and therefore they are reimbursed for these out-of-pocket production costs," says Mrs. Hangley.

Out-of-pocket costs can be financed through different sources. At the Red Cross, their budget is allocated mostly from corporate donations although they have multiple sources. The United Negro College Fund also has multiple funding sources. One technique they rely upon is underwriting. This is when someone is willing to pick up the cost of the production of perhaps 10,000 prints. Often called "off cost," it is like a donation of money or a sponsoring of an organization's expenses. There are several methods by which the out-of-pocket costs can be paid. The Ad Council can either bill an organization or the organization can keep money in escrow for the campaign. Several different accounting procedures can be used to record these transactions. Some campaigns cannot use all of the media because of the nature of the campaigns; others have limited budgets. Nevertheless, the Advertising Council will not do a campaign that is simply for radio or television. "We don't consider that enough of a cam-

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campaign,” Mrs. Hangely says. “It should really contain some
print ads.”

**How It All Started**

The American Red Cross was founded in 1881 and has
grown into the nation’s largest private, voluntary health
and human services institution. This year the organization
raised $484.3 million in total contributions, program ser-
vices, governmental aid and other revenues. The organi-
tion has three major advertising campaigns: a blood donor
campaign, a disaster relief campaign, and a new health
awareness campaign. This new campaign was created
because research and Harris polls showed a great need to
make the public aware of health issues.

The United Negro College Fund was founded in 1944. It
is now the largest and most successful black fund raising
organization in the country. The United Negro College
Fund supports 42 private predominantly black colleges
and universities. For the past ten years now, the organiza-
tion has utilized the creative talents of Young & Rubicam,
Inc. They are the creators of the United Negro College
Fund’s national slogan, “A Mind is a Terrible Thing to
Waste.” The United Negro College Fund raised $21
million in 1981. They also held special local events such as
the Arthur Ashe Tennis Benefit which raised $285,785.
This event received free broadcasting, but the money for
printed materials such as posters and promotional kits
came from the organization.

**Alternative to the Ad Council**

Not all organizations fit the criteria of the Advertising
Council. However, there are other alternatives for non-
profit organizations to receive free advertising. One alter-
native is the Public Service Council which is an arm of the
Public Relations Society. Harriet Schimmel, Co-
Chairwoman of the Public Relations Society, explains the
Council’s work: “The Public Service Council assists small,
non-profit organizations in the city. They help organiza-
tions who do not have their own public relations depart-
ments learn how to do publicity. They also contact local
radio and television stations to assist in giving air time free-
ly.” In fact, the United Negro College fund used to Public
Service Council for the Arthur Ashe Tennis Benefit in
order to receive free radio and television spots. “It’s a
wonderful resource which a lot of people don’t know
about,” says Mrs. Schimmel.

Another model, and a successful one too has sold
enough cookies to gross revenues of $219 million. Of
course, it is the Girl Scouts of the U.S.A. Unlike the other
organizations mentioned, the Girl Scouts is not sponsored
by the Advertising Council, but they have been recom-
mended to the media as being “a responsible and reliable
campaign,” through the Ad Council’s Public Service
on publicity and promotion,” says Ms. Rhoda Pauley,
Assistant National Executive Director for Communication
Services. They use public relations through the media to
get their message across and often place stories in such
different papers as Women’s Wear Daily and The Wall
Street Journal.

The Girl Scouts also receive paid-for editorial advertis-
ing. For example, this year Mobil Corporation paid for
space in various newspapers and magazines to print an
editorial write-up on the Girl Scout’s 70th Anniversary. In
this instance, the Girl Scouts provided Mobil with the in-
formation necessary to write their editorial.

A great deal is done independently. The Girl Scouts
create their own promotions and publicity. “We produce
an annual kit which is sent out to all of the councils. They,
in turn, send the copy to all local media for free air time
and television spots,” says Ms. Pauley. The kits are
primarily used to help councils plan and execute Girl
Scout promotions and publicity.

Last year, troops and councils sold 116,500,000 boxes
of cookies produced by licensed bakers. “Girl Scout
cookies are recognized as a promotional package. We are
unique in the media for reaching people and delivering
our message,” says Ms. Pauley. The Girl Scouts have
maintained their image with the successful services of
Bass/Yaeger, a graphics design consulting firm, and with
the help of Burson-Marsteller, their public relations
agency. Both of these firms are paid consultants.

Non-profit organizations can benefit from diverse
advertising procedures. However, the Advertising coun-
cil’s endorsement makes the task of seeking access much
easier. Inexpensive publicity gives an organization an
even better chance of getting its story across to the public.
Whatever the strategy taken, it is apparent that the world
of advertising understands the true meaning of the saying:
charity begins at home.
The Taped White Way

by Bill Dudley

The audience hushes, the houselights dim and the curtain goes up on Richard Harris' portrayal of King Arthur in "Camelot." Sitting in a Broadway theatre? Chances are you're watching the latest offering on cable T.V. A system initially set up to show first-run movies and sporting events, is now turning toward the arts for programming and spending big money doing it. In fact, Home Box Office (HBO), the pioneer of nation-wide cable when they started transmitting via satellite in 1975, doled out over $1.2 million for the production of "Camelot" alone.

But cable has gone far beyond HBO. As of August 1981, cable had reached 25% of all American households with televisions. According to leaders in the cable industry, by 1990 almost 50% of all T.V. households will have cable and that figure should come within reach of the 100% mark by the year 2000. As cable households increase, so will the number of channels available to customers. Currently, 36 channel systems are ripe for expansion and experts predict that the number of channels may burgeon to anywhere from 54 to 108.

Although HBO, which now reaches over seven million homes, primarily offers films, other networks specializing in cultural programming—opera, theatre, ballet, and concerts—have sprung up. These networks include: ARTS, BRAVO, and the now-defunct CBS Cable.

ARTS

Started early in 1981 by its parent corporations, ABC T.V. and Hearst Publishing, the network presently services eight million households. Since its inception, ARTS has tantalized viewers with dazzling offerings in almost all areas of the performing arts: a production of "La Boheme" with Luciano Pavarotti, telecast from La Scala in Milan; a black cast performing Eugene O'Neill's "A Long Day's Journey Into Night," starring Ruby Dee; a revival of Thornton Wilder's "Our Town," starring Ned Beatty, Hal Holbrook, and Sada Thompson; and the Twyla Tharpe Dance Troupe.

Scheduled for the coming year are: The Marcel Marceau Mime Troupe; the Netherlands Dance Theatre performing the ballet "Cinderella"; and a staged version of Charles Dickens' "A Christmas Carol" performed by the American Conservatory Theatre in San Francisco.

In a move expected to enhance the relationship between cable T.V. and legitimate theatre, ABC Video Enterprises recently signed an agreement with the New York Shakespeare Festival for six hours of programming to be aired over the next 18 months. According to ARTS representative Pat Schoenfeld, the network paid for all cable rights including the sale of videodiscs and videocassettes. ABC Video is anticipating a rise in the number of households subscribing to the network as the result of this deal. Included in this package are: "A Midsummer Night's Dream," "Swan Lake Minnesota," a parody of the famous ballet, and a documentary on the making of the recent Public Theatre production of "Hamlet." While both the ballet and the documentary were totally redone for cable, "A Midsummer Night's Dream" was filmed on site at the Delacorte Theatre in Central Park during a summer 1982 performance. The decision to film Shakespeare in the park surprised few observers. Joseph Papp's showcase in the park has been offering the Bard's plays since 1954 and the theatre has gained an impressive reputation for its unusual interpretations of the classics. "You can't do the classics conven-

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tionally anymore,” Papp told the press recently. “They lay on you like bagels.”

**BRAVO**

Bravo, jointly owned by Cablevision Inc., Cox Cable, and Daniels & Assoc., dates back to December 8th, 1980 when it opened with an 80th birthday tribute to composer Aaron Copeland staged in Carnegie Hall. Leonard Bernstein and the Philharmonic were shot skyward from a facility near Belmont racetrack to a satellite 22,000 miles above the equator. The concert was seen throughout the U.S. and it was picked up by many smaller cable T.V. stations.

To this date, the network has presented a first-rate cultural line-up: Tchaikovsky’s “The Nutcracker” and Verdi’s “Il Trovatore,” the Royal Ballet with Dame Margot Fonteyne, Eubie Black “At the Keyboard,” the Bolshoi Ballet, the St. Louis Symphony, concerts with Dave Brubeck and Dizzy Gillespie and George Gershwin’s “Blue Monday.”

Bravo also offers interviews with such luminaries as Leonard Bernstein, Glenda Jackson, Eubie Black, George Lucas and Martin Scorsese. Unlike ARTS, Bravo does not have commercial sponsorship.

**CBS CABLE**

The now-defunct network started with the best of intentions. If quality of programming by itself determined business success, CBS would still be on the air. From Broadway, CBS brought viewers John Osborne’s award-winning comedy, “Mornings At Seven” and Pam Gems’ biographical drama, “Piaf.” “Piaf” proved to be an interesting case. The drama, based on the life of the legendary Parisian singer, received handsome reviews and a Tony Award for its star, Jane Lapotaire, but failed at the box office, and never recouped its initial investment. CBS Video paid more than $50,000 for rights to the play. Due to a clause in the Dramatists Guild contract, the money was split between the playwright, Pam Gems, and the investors. An agreement with the Dramatist Guild states that if a play has 21 consecutive performances, and subsidiary rights are sold within 18 years of the last performance, the author, producer, and investors share in the revenues. “For the authors, producers, and investors, the influx of money is like a windfall,” explains one cable spokesperson. The actual cost to CBS to acquire rights and finance production was $350,000. CBS later sold rights to the Entertainment Channel owned by Rockefeller Center T.V. (RCTV) for $250,000; ultimately, profits are expected to come from the sale of videodiscs and cassettes.

The network also featured actress Pat Carroll in her one-woman show, “Gertrude Stein” as well as the London Royal Ballet in a performance of “Swan Lake”; Athol Fugard’s “Sizwe Banzi is Dead”; Leonard Bernstein conducting the Vienna Philharmonic in an evening of Beethoven; and the “Songs of Innocence and Experience,” based on the poetry of William Blake.

Why then did CBS fail? Dick Cox, president of CBS Cable, told Cablevision writer Jeri Baker “A new advertising medium that is small, special and unmeasured has little or no chance (in a recession) when advertisers are pulling in horns and concentrating their ad dollars in what represents to them bread-and-butter media.” Other industry experts cite additional reasons for the demise of CBS Cable: the company’s high operating costs, unrealistic budgets, esoteric programming, shakeups in middle management and even CBS’s acquisition of Ideal Toys.

Advertisers were not alone in their cautious response to cable theatre. Some producers too were anxious, concerned that cable will decrease attendance at stock and local performances. Another fear is that cable theatre will result in the loss of potential film deals. Many people in the theatre business still consider motion pictures, “the pot of gold at the end of the Broadway rainbow,” a fact supported by Paramount’s recent payment of $9 million for the rights to “Annie.” Still for plays with more modest earnings in their initial runs, video remains a good bet. Cable producer David Sheehan recently spent $200,000 for the cable rights to “Pippin,” a show that closed in 1977. To finance filming, Sheehan raised $1.5 million by selling the show’s cable rights to RCTV for videodiscs and cassettes.

Still another major worry is that cable T.V. might kill public television. PBS, perhaps to avoid being squeezed out of the action, is currently planning their own cable network, PSN. But no one at PBS seems too worried. Recent figures show that in a typical week, 50% of all households tune into public T.V. “Despite cable, we’re not having any problems right now, and our Nielsen ratings are up,” says Larry Goldsmith, PBS spokesman. “People are beginning to wonder why they should spend extra money to see something they can get for free.”

An even more pressing problem is keeping corporate sponsors such as Exxon, Mobil, and Xerox loyal. “The
sponsors don't like a short reference before and after a show,' a CBS Video spokesperson says. "So, CBS provided a five minute message each hour."

Despite rosy predictions, the future of cable theatre remains uncertain. Recent developments, including news of the demise on March 31 of the Entertainment Channel, a pay-TV network offering movies and Broadway productions, the revelation that Ted Turner is actively seeking a major network partner, and word of drastic cutbacks in ARTS staff and programming, have been discouraging.

Arthur R. Taylor, chairman of the Entertainment Channel, told New York Times writer Sandra Salmans that "it was like putting on a beautiful play every night to a theater with too few seats." Taylor blamed the economy, not programming, for bringing the final curtain down on the Entertainment Channel. "The problem was that we could not get access to enough markets," he said.

Whatever the real reason, it seems as if "The Taped White Way" is not yet around the corner.

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**Business Books**

by Marc Schnapp

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**Life and Death on the Corporate Battlefield.** By Paul Solman and Thomas Friedman. Simon and Schuster, 248 pages. $13.95

While the Vietnam War engulfed American mass culture in the early seventies, "All In The Family" hit the tube and tackled taboos. Archie Bunker and Mike "Meathead" Stivic, like millions of other Americans, spent many a dinner hour arguing controversial issues of war and peace, women's rights, and affirmative action.

By the end of the decade, however, the war was over. Pop culture sought and found new targets: this time it was OPEC oil prices and the evil boardroom antics of J.R. Ewing and Blake Carrington that fascinated Americans. Broadcast news too began taking tentative steps to explain the faltering economy. With a downturn in buying power, and later a soaring unemployment rate, the national drama made a transition from social issues to the world of high finance.

Paul Solman and Thomas Friedman, editors of the excellent PBS business series, "Enterprise," have designed a lively book which delivers generous helpings of the real drama integral to our economic system. While an early chapter discusses the obvious advantages of being the larger corporate competitor, the authors also cite underdogs who have come out on top: a small spray cleaner manufacturer who succeeded in chasing marketing powerhouse Procter and Gamble out of his market, a miniscule motor factory which sells profitably to industry below Westinghouse's prices, and a minor steel parts purveyor who has built a white-hot market for himself despite the looming presence of U.S. Steel and other industrial Goliaths. They are testimony to the fact that it pays to find a market niche.

But what happens when the big guys do compete? Or do they really compete? Management consultant Bruce Henderson explains the rules to a game he calls "Hawks and Doves," which defines tactical possibilities for each side as it attempt to build the most successful business.
The hawk aggressively pursues methods to gain advantage, while the dove values stability, preferring to minimize risks. No corporation functions indefinitely in either mode.

The game takes on all of the jabs and feints of a nasty alley fight. Henderson suggests, for example, that Gillette should have sent out hawkish signals upon learning that Bic was test marketing disposable razors. Had the word gone out that the nickel Gillette pens were imminent, the blade manufacturer might conceivably have forced the intruder to retreat. Henderson's speculation is instructive; any tactic is worth considering, but the consequences are often unpredictable.

The authors attempt, whenever possible, to lend rationality to the battle, but they also shatter myths. They lead us to believe that Wall Street is a sham. Brokers, according to those interviewed, are nothing but super-salespeople in expensive tailoring, and financial analysts are the lapdogs of corporate public relations specialists. If there are traditions in the financial community, Solman and Friedman would contend that they verge on superstitions. Dean LeBaron, an ex-broker, is a colorful example. Overturning all conventions, he dreams of creating a mutual fund comprised entirely of stocks from bankrupt companies. LeBaron is convinced that the portfolio would be lucrative, but even his most faithful clients are wary of that idea.

"The truth is that companies fight each other constantly..."

The authors gleefully conclude that, in the words of Harvard finance professor Jay Light, "Wall Street is a multimillion-dollar business dedicated to getting people to change their minds, and ringing the cash register every time they do."

The book is hardly a radical manifesto. As founding members of The Real Paper, a Boston counter-culture weekly of the Archie Bunker era, Solman and Friedman presided over a disastrous, left-leaning collective enterprise. Every participant, from messenger to publisher, was issued equal shares of stock in the company. The product was right for the times and it quickly took off. The Real Paper, then, was to be a profit-making institution with political goals. It was touted by some as nothing less than a bold new form of capitalism: "a bridge to socialism."

Before twelve months had passed, the staff bridled under the lack of hierarchy—or the emergence of it. Staffers began to hope that a buyer would come along to make their stock investments pay off. In the end, that is just what happened. A syndicate of buyers including David Rockefeller Jr. snapped up the paper. A lengthy post-mortem concludes: "Businesses, however, must be truly responsive to their economic environment. They must adapt to changing markets. They must be flexible, willing to abandon old ways of doing business when new, more profitable ways present themselves. Cooperatives, because of their heavy reliance on consensus, are inherently less flexible."

The book also examines the roles of entrepreneurs. "Most of these guys are egocentric people," says an unnamed venture capitalist. "They really don't know what can't be done. They've frequently attacked problems with low probabilities of success because of their egos."

A pioneer of the audio industry, Henry Kloss is given sympathetic treatment in a full chapter portrait. Kloss, who helped found Acoustic Research (AR), who was the "K" in KLH, and later created Advent, was unable to obtain adequate capital for his operations. Why would venture capital firms turn down an audio expert, a man who was a principal in major, multimillion dollar companies? "Since they're in the business of backing innovation and entrepreneurship, they face even more uncertainty than most firms. And that makes venture capitalists very careful. They have to be. It's venture capital, remember: not adventure."

While many business students may view Life and Death as a collection of curiosities, the book deserves to be taken more seriously. It is difficult, if not impossible, to keep track of all the latest business developments as covered in Business Week, Forbes, Fortune, and The Wall Street Journal. Reading texts provides one with a background in theory. But texts and theories have their limitations. It is all too easy to suffer from a deficiency of real-world smarts. For a dose of reality that is truly therapeutic, fill the following prescription: run down to your local bookstore (or library), get a copy of Life and Death. Read it.

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