

## Going Big By Going Digital

By adding extra channels, ION Media hopes to make the most of the transition from analog TV

BY CATHERINE YANG

**T**HESE DAYS, FORMER NBC Universal executive Brandon Burgess spends weekends grumpily setting up mosquito traps in his backyard in quiet West Palm Beach, Fla., instead of hobnobbing with other young media titans at SoHo wine bars. Last November, Burgess, 38, packed up his office at Rockefeller Center, where he spearheaded NBC's big merger with Universal Entertainment, to become CEO of lackluster Paxson Communications, an independent TV broadcaster just north of Miami. Burgess made the strange journey to the ends of the media universe to prove that the arrival of digital technology can turn even a mangy network into a thoroughbred. "In the analog world, we're a modest player," he says. "In the digital world, we have more airwaves than any other broadcaster."

Burgess, a buttoned-down Wharton grad raised in Germany, isn't entirely crazy for taking charge of a network known mostly for reruns of *Touched by an Angel* and other bland family fare favored by former CEO Lowell Paxson. The company, now renamed ION Media Networks Inc., is the largest TV broadcaster you've never heard of, with 60 stations reaching 91 million homes on coveted channels low on the dial. (By contrast, Fox TV, which owns the most stations among the Big Four Networks, has only 35.)

In Burgess's eyes, ION's big break will come when all local TV stations must switch from broadcasting shows in analog to digital signals by 2009 under law. So far the young CEO is in the broadcasting vanguard with a different idea of how to use digital technology. Many stations today already air some shows in

high-definition digital formats, or HDTV, and plan to do more of the same come 2009. Burgess, though, sees another path for ION. Instead of using digital technology to beam one channel with extra-sharp pictures, he wants each of his stations to broadcast two or three channels apiece at standard resolution. That leaves room to deliver other services, such as TV shows to cell phones.

### LIMITED RESOURCES

ION HAS ANNOUNCED the launch of two new digital channels for kids and for health programs. With its reach, ION gives the channels an overnight national springboard when launching shows independent of big cable or broadcast networks is nearly impossible.

Perhaps Burgess is more willing than other TV station leaders to embrace the range of digital possibilities because he has few other options. Unlike many TV stations with healthy cash flows, ION faces continuing losses and \$2.4 billion in debt. For ION, offering multiple digital channels is a new way to win audience and advertisers. And even as it acts out of desperation, "ION could be an example of what others choose to do down the road digitally," says Nancy Peretsman, managing director at media investment firm Allen & Co., which is helping ION scout for shows.

Yet moving an ailing

network beyond a blueprint to the real thing is a challenge that boardroom strategist Burgess has never had to shoulder before. For starters, with its debt load racked up after a station buying spree in the last decade, ION has few resources to create the hit shows it needs to gain audience for both its analog and digital programming. So Burgess is in constant motion. A weekly schedule might include meeting with Samsung in New York about cell phone chips for broadcast signals, before jetting off to Washington to chat with pals at the Federal Communications Commission. Then it's back to New York to dine with Sirius Satellite Radio CEO Mel Karmazin as they explore new ideas for the two companies.

Adding to the pressure, Burgess's former bosses at NBCU, a passive stakeholder in ION, are watching closely. The new CEO concedes that begging for dollars has been a "life-shaping experience," in contrast with his previous job, where he had "to find ways to spend money." But as a champion archer trained to stay on target, he says, "the situation can't afford frustration and despair." If Burgess succeeds, NBCU will have won what many believed was a longshot bet when it first invested in Paxson.

Still, to maintain arm's length from NBCU, Burgess says he now avoids confiding in his mentor, NBCU Chairman Bob Wright. Instead, he has surrounded him-

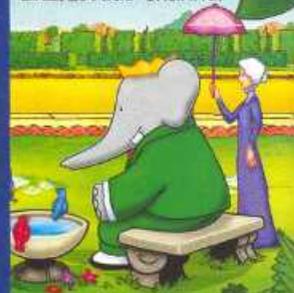
## Redefining Television

The former Paxson Communications, now called ION, is out front with programming plans for digital broadcast TV. Federal laws require that TV stations air shows using digital signals and end their analog broadcasts altogether by 2009. Digital technology will allow a station to deliver as many as six different channels. Here's how CEO Brandon Burgess plans to remake his company for the new age:

### PIONEER NEW TV

The launch of two 24-hour digital broadcast channels, qubo (for kids) and I-Health, helps ION leverage its 60-station nationwide network in the digital world by multiplying its program offerings with consumer-focused niche shows.

### BABAR Kids' channel



(CHARLIE'S ANGELS) MARK MARMOR/EVERETT COLLECTION; (CELL PHONE) KIRK CAIWO/NEW/THE IMAGE WORKS; (STARS & HUTCH) EVERETT COLLECTION

self with a group of independent advisers, including media consultant and onetime NBC executive Tom Wolzien and New York designer Ed Schlossberg (Caroline Kennedy's husband). They are helping to implement strategy and update the company's culture. Schlossberg, for one, oversaw the name change to ION and a hip lower-case logo to replace the Paxson family shield, featuring a lion. Burgess also slicked up the lobby by adding black leather sofas and modern art.

The company's old hierarchical culture is starting to loosen up. A week before Burgess arrived, senior executives were quaking when they saw their names being scrubbed from personalized parking spaces and replaced by numbers one to 10. They were sure pink slips were soon to follow. Today, the managers are all still there, but Burgess's Porsche is not in space No. 1. Instead, he raffles the spot to employees to boost morale. With meager means,



**BIG PLANS CEO** Burgess wants to leverage ION's digital bandwidth

Burgess and team have had to work creatively. In many cases, they're persuading partners to foot the bill for producing programs in exchange for coveted distribution. In May, big names in kids' media—Scholastic, Canada's Corus Entertainment, and Classic Media—agreed to create a digital children's channel named qubo to run not only on ION but also on NBC and

NBC's Telemundo. Later that month, ION announced the I-Health digital channel, which will air educational programs. Now, ION is trying to attract independent producers who want access to the network. "There are no other broadcast facilities with this kind of reach at the times that we want," says John Lack, a creator of MTV, who is developing programming plans for ION. Other Burgess ideas: at the World Economic Forum in Davos this year, he mused with Google Inc.'s Sergey Brin about a TV program from an online hit. Google Earth on TV, anyone?

Burgess believes ION'S digital channels, targeting underserved genres such as values-oriented kids' and educational health programs, have enough fresh appeal to win new ad revenues and a place among the clutter of TV channels, even if cable and satellite operators aren't currently required to deliver such digital broadcasts. While others may scoff at his optimism, ION has little choice but to think harder about its digital choices. "The other TV broadcast companies don't have to reinvent themselves as we do," says Burgess. Indeed, if the industry's ugly duckling survives the odds, other broadcasters may soon see the range of possibilities for digital TV, too.

(TOP) BRIAN SMITH



**CATCH THE NEXT WAVE**

How about using extra new digital spectrum to deliver dozens of audio stations to TV viewers, much like satellite radio, or TV shows to cell phones over the airwaves? ION sees these as potential new businesses.

**REFRESH OLD TV**

ION is reviving analog shows to refresh programming. In concert with Warner Bros. and Sony Television, their classics, from *Charlie's Angels* (above) to *Bram Stoker's Dracula* will replace Paxson's old-fashioned family fare, such as *Touched by an Angel* and *Bonanza*. Lowering the average age of viewers even by a bit will help juice flagging ad sales ahead of digital conversion.



Data: ION. Business Week

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