

Link TV

Entrepreneurial Challenges of Growing a Nonprofit Television Network

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This case was written by Scott Rupp under the direction of Professor Michael P. Smith of the Media Management Center at Northwestern University. It was written for use by the Center and its affiliates, the Kellogg School of Management and the Medill School of Journalism.

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“Link TV is a revolution, a very friendly wonderful revolution ... it will help teach those who want to make a difference in the world how to act and react.”

Bill Cosby, educator and entertainer

Link TV, a nonprofit satellite TV network, is the first national channel offering a global perspective on news, current events and culture, presenting viewpoints seldom covered in the U.S. media. Launched in late 1999, Link reached over 20 million satellite TV homes by early 2004. Link’s broadcast of select newscasts from 16 Middle East broadcasters during the invasion of Afghanistan and the war in Iraq put the channel on the map as a distinctive media voice, earning widespread coverage in the mainstream press.

Unlike traditional TV channels, Link survived primarily on donations and was limited by its nonprofit status in the types of commercial ventures it could pursue to generate income. Traditional commercials were out of the question. As a result, Link, like any start-up and most nonprofits, faced frequent cash flow struggles.

In early 2004, Joel Ficks, chief financial officer of Link TV, had mixed emotions as he sat in his San Francisco office reviewing the company’s many milestones since its birth in 1999. Ficks felt he had put his Kellogg MBA to good use in service of Link’s broader public service mission and was amazed at what the management team had achieved in such a short time on a shoestring budget. But it was no time to rest on his laurels. Ficks faced two key questions: How could he develop a hybrid revenue model without compromising Link’s editorial integrity or diverting management focus from building a 24/7 network, and how could Link drive viewership and awareness in a fragmented TV universe dominated by well-funded giants when he had such limited resources? He wondered whether he had the right programming development and business development processes in place to achieve these objectives.

Link TV Background

Link TV Snapshot

Date of Inception:	December 15, 1999
Network Status:	24/7 national non-commercial network available on satellite TV
Channel Coordinates:	DIRECTV channel 375 & DISH Network channel 9410
Satellite TV Reach	44 million adults nationwide
Current Viewership:	4.9 million adults watching more than one hour each week
Other Outlets:	Selected programs shown on 20 local non-commercial stations Original productions streamed on the Internet
Annual Budget:	\$4.5 million
Funding:	85% from foundations, the balance from viewers and major donors
Staff:	28 FTEs
Headquarters:	San Francisco, CA, with programming & production office in New York
Corporate Status:	Link TV is operated by Link Media, a nonprofit 501(c)(3) California corporation. A Delaware C-Corp has been created to pursue for-profit opportunities. The subsidiary is 100% owned by Link Media.

Network History

In December 1999, a group of independent producers, journalists and TV executives launched the first nationwide television network providing Americans with a global perspective on current events and diverse cultures. Link TV was created to counter the trend of conventional broadcasters focusing on ratings and the dramatic decline in international news coverage and alternative perspectives. The founders of Link TV had experienced first-hand the frustrations of finding distribution for high-quality programs promoting humanitarian values and cultural understanding that apparently did not meet the needs of advertiser-supported networks, or the domestic focus of PBS and the news channels.

With the support of several foundations, the team was able to take advantage of a once-in-a-lifetime opening for new non-commercial channels on satellite television mandated by the FCC. Link Media won the highly competitive selection for a national TV platform that now reaches more than 44 million adults in 21 million U.S. homes.

Mission

Link TV is a mission-driven organization that promotes the values of a free and open society, global cooperation, economic justice, and the preservation of the natural environment and diverse cultures. It does this through a national television network and the Internet, and through partnerships with public service organizations worldwide. Link broadcasts programs that engage, educate and activate citizens to become involved. These programs provide a unique perspective on news, current events and diverse cultures, and they present issues not often covered in the U.S. media. Link connects American viewers with people at the heart of breaking events, organizations in the forefront of social change and the cultures of an increasingly global community.

Link TV is committed to:

- **Providing a global perspective** on world issues and culture, offering alternate viewpoints that are not U.S.-centric. Through the presentation of other nations' newscasts, Link offers diverse perspectives on world events. Through personal stories told in Link TV documentaries, Link tries to humanize the 'other' and counter the tendency to make enemies out of the unknown.
- **Examining in depth** America's global and domestic issues, including the doctrine of pre-emptive war, multilateralism, globalization, the environment and fair trade, human rights, security vs. civil rights and privacy in the Patriot Act, nuclear proliferation, the culture wars, the effects of media privatization and concentration, rural development and farm issues, criminal justice and electoral reform.
- **Giving voice** to people without a voice, from communities under-represented in conventional media and unknown to most Americans. Link programs connect viewers not only to the 'movers and shakers' but also to the 'moved and shaken'-- people affected by the news. Link covers U.S. domestic issues, on a national and neighborhood basis, showing their connection to global affairs.
- **Educating** American viewers by offering in-depth programs on issues of regional and world importance. Link exposes its viewers to people they would never meet, to cultures they might never understand and to issues they have yet to consider.
- **Encouraging action** on the part of the viewer. Programs counter the cynicism and resignation that can result from watching conventional television news. The www.linktv.org Web site gives viewers access to tools and connections to take action on social issues.
- **Promoting cross-cultural dialogue** through innovative television formats. Live call-in programs provoke discussion on global issues by participants that may be separated by ideological differences and thousands of miles. A webcam conferencing portal

allows Internet users worldwide to take part in the televised dialogue, and chat groups let them to continue these conversations in between broadcasts.

- **Offering unique and engaging programs** to a broad American audience. Link TV programming includes first-run international documentaries (90 percent have never been seen in the U.S.), diverse global news reports, classic foreign feature films, and a regular strand of World Music videos from artists representing more than 70 countries.
- **Fostering collaboration** through coalition building with partner organizations and grassroots organizing around specific issue programs.

As Ted Turner, the founder of CNN and Turner Broadcasting notes: “Our democracy needs a broader dialogue The First Amendment rests on the assumption that the widest possible dissemination of information from diverse and antagonistic sources is essential to the welfare of the public. Safeguarding the welfare of the public cannot be the first concern of large publicly traded media companies. Their job is to seek profits.”

Link TV addresses this issue and intends to become the recognized brand for providing in-depth and diverse perspectives from around the world, fostering a free and open society. The network provides a broad American audience, key policymakers and opinion leaders unfettered access to diverse information, and motivates viewers to get involved in making a difference.

Programming

“It seems like all the wondrous potential of television got concentrated into your network and virtually all the programming on all the other networks appears to be fighting within the dark-side of this precious, infant medium. It’s “Wasteland” vs. “Promised Land”. Thank you!”

Viewer e-mail

At a time when others have been cutting their foreign news and public affairs coverage, Link TV has moved to fill that gap with hundreds of hours of programming on global issues – human rights, the environment, sustainable development, issues of war and peace – and domestic issues such as criminal justice and civil liberties. Link TV has also gathered the best of investigative reporting from around the world and brought it to the American public. And in the aftermath of 9/11, Link has moved strongly into covering domestic issues of war and peace, security versus civil rights, multilateralism, fair trade and U.S. agriculture policy, and the doctrine of pre-emptive war.

Program Formats

Link TV programming formats include issue-oriented documentaries from around the world, current affairs and news programs, interactive talk shows, foreign films and the best of World Music. The following are the major program formats:

Documentaries

Link TV currently broadcasts more than 130 hours of engaging character-driven documentaries on global and domestic issues, acquired from national broadcasters and independent producers from many countries, all translated into English. More than 90 percent of these programs have never before been shown on American television.

News and Current Affairs Programming

In addition to broadcasting Deutsche Welle's international news from Berlin four times a day, Link produces several original news and current affairs programs including:

- ***Mosaic: World News from the Middle East***, a daily 30-minute compilation of newscasts selected from 16 national broadcasters from Egypt, Israel and Lebanon, to Syria, Abu Dhabi and Iran. A monthly analysis program is also shown on 20 local public TV stations. The Mosaic programs are streamed on the Web and used by many journalists and educators. For the first time, Americans are able to watch what 280 million Middle Easterners are seeing on their local news.
- ***Spotlight***, a weekly series of worldwide investigative reports from international broadcasters and independent producers, hosted by investigative reporter Mark Hertsgaard. Recent programs exposed the media spin on the Jessica Lynch capture in Iraq and investigated how the Pentagon has been issuing amphetamines to its pilots, resulting in the deaths of allied forces and innocent civilians.
- ***Earth Focus***, an environmental news magazine that features a scorecard on policy developments in Washington, D.C., that affect the U.S. and global environment. Currently, there are no other environmental news magazines on American TV.
- ***People's Voice*** links the candidates with the nation's leading citizen activist groups and membership organizations. The series includes candidate interviews, convention coverage and get-out-the-vote campaigns targeted at youth, rural Blacks and other swing voters.
- ***Global Link***, a series of interactive talk shows that help make sense of the complexities of the world around us, connecting Link TV viewers to the heart of the news. These live programs have linked Americans to Afghan women leaders, globalization demonstrators in Porto Alegre, Brazil, and peace activists in Beirut.
- ***The Active Opposition***, a live call-in program hosted by Peter Coyote featuring a celebrity interview and expert guests. Recent programs have explored the controversy

over the war in Iraq, American media consolidation, the re-emergence of the nuclear threat, and farming issues in the U.S. and abroad.

- ***Watchdog!***, a live call-in program originating from New York, hosted by former ACLU director Ira Glasser, dissects the political landscape. The first program dealt with “lying as a political strategy” for U.S. administrations and how felon disenfranchisement affects elections.

World Music Programming

Link TV is the only national network with a regular strand of World Music. Through music programs and cultural documentaries, Link offers Americans an appreciation of the diversity of music around the world.

Link has an archive of World Music videos representing artists from 70 countries, and shows 17 documentaries about artists or unique musical genres. These artists often raise human rights, environmental and other issues. Link also features American genres that don't make it onto MTV, like Cajun, Tex-Mex and bluegrass. The music videos are presented in special one-hour blocks. The music appeals to a wide audience and attracts many younger viewers who stay and watch documentaries and news programs.

Youth Programming

Link TV has recently added a new strand of programs targeted at youth ages 16-22, expanding its audience demographic. Link is presenting a mix of TV programs and Web activities designed to support a growing youth movement. Chat the Planet is a series linking American youth with kids in Baghdad, South Africa, Jordan, Australia, etc. These programs are presented in an experimental two-hour strand of youth programming called SNAP, where the Chat the Planet episodes serve as the keystone of a mix of youth-produced media, shorts, animation and music, all wrapped with an interactive set where young ‘chat jockeys’ communicate with viewers via webcams, Internet chat, e-mail and live phone-ins. Link TV is the first network to utilize these multiple technologies in a broadcast series

Programming Selection and Development Process

Overview

Compared to other networks, Link TV is non-traditional in its programming evaluation and decision processes. Whereas other networks choose and evaluate programs based on ratings and ad sales, Link chooses programming that is entertaining and appealing to viewers but, most importantly, serves its broader public service mission to educate and inform. Link is a mission-driven programmer, not a profit-driven programmer.

Furthermore, relative to other networks with more substantial resources, Link has less money to invest in audience research. Its measures of success are primarily based on qualitative viewer feedback and the management team's internal sense of programming success. As a result, Link can sometimes be satisfied with programming that may not connect well with its audience. Complicating these factors, Link's limited budget hamstrings its ability to market and promote its programming.

Link's programming decisions are made primarily by Jack Willis, senior vice president of programming, and Kim Spencer, Link's president.

Audience Research

Unlike other networks, Link TV does not have access to ratings data for its programs. Nielsen, the TV ratings service, has only rolled out coverage of satellite TV homes in recent years, and Link does not believe its audience data is yet robust or meaningful. In addition, subscription to Nielsen's service is prohibitively costly for Link TV. As a result, Link lacks program-by-program performance data for its schedule.

Link does commission an annual market research study of satellite TV subscribers, in which it gathers from a random sample of satellite TV customers data on awareness of Link TV and interest in the types of programming Link offers. While it does not get detailed demographic data on its viewers from this survey, it does collect general information on interest in the various genres of programming that Link offers and is able to determine total viewership and satellite-viewer awareness of Link TV.

Link also sends surveys to its donors, by which it gathers data on demographics and programming preferences by show, format and genre. It also gathers data on viewing behavior in this survey. Secondly, Link collects high-level demographic data and programming genre preferences when viewers register on the Link TV Web site. Finally, Link identifies trends in programming preferences based on viewer feedback received via e-mail.

Topic Selection and Development

The senior programming team generates most of Link's programming ideas internally, rather than by conducting market research to assess concepts demanded by its audience. Many of Link's choices are issue-driven and timely. For example, Link has programmed aggressively around the war in Iraq. Link also conceives of programming to fill gaps in what is not covered by traditional media in order to fulfill its broader public service mission. For example, it developed programming around AIDS in Africa to drive awareness of a pressing health issue. It also developed youth programming, such as its show *Chat the*

Planet, in response to the lack of world affairs coverage on traditional youth outlets such as MTV. In some cases, Link counter-programs to other channels. Link's director of research gets involved in original programming development decisions to make sure that topics serve the Link mission and have not been broadly covered by other outlets.

Importantly, while many programming decisions are mission-driven, Link nevertheless makes programming that is as compelling and engaging as possible. The Link programming team and its partners include very experienced producers from traditional television who know how to make good entertainment through smart choices in pace, content, format and style.

Once Link hones in on a topic or program format, its development process is very similar to other TV networks. A team of executives and producers iterate and tweak ideas, formats, casting, locations, etc., through a collaborative, detailed dialogue before producing a pilot. Unlike other networks, however, Link has limited development funds and has to be much more selective in the number of projects it can flesh out.

Development of original programs differs from the selection of programs for acquisition. Link strives in its original productions to be innovative not only in topics but also in formats and in its use of technology and interactivity. Most Link TV originals have some component of audience participation via e-mail, in the studio, via webcams or via telephone to allow viewers to engage with one another or to observe a dialogue. Thus, the development of original programming usually includes a mandate for innovation or experimentation.

Finally, funding for original programming complicates the development process. Whereas unrestricted operating grants give Link considerable leeway in which programs it chooses to acquire, Link usually needs to secure earmarked donations for original productions. Originals that attract the most funding get priority in the development pipeline over projects Link management might prefer internally but that have proven more difficult to finance.

Evaluating Programming Success

Link has limited resources for audience research and does not have access to detailed ratings data for performance of its programs. As a result, most of its performance assessments of shows are qualitative, anecdotal or based on viewer feedback (primarily via e-mail). After a show is produced, all staff members of Link TV critique it. It is assessed on how compelling and engaging it is and how well it serves the Link TV mission. Viewer comments and donor survey results complement the internal assessment. However, viewer comments may not give a complete picture – often only the vocal minority speaks out about a program, whether a viewer absolutely loved a show or absolutely hated it. In many cases, Link may not have an accurate read on the impressions of the average viewer.

Points of Difference

Link TV has created a public service channel with programming that promotes the values of a democratic society, global cooperation and the conservation of the natural environment and diverse cultures. Link TV is differentiated from other networks by its programming, editorial independence and mission:

- **More than 90 percent of Link TV programs have never been seen in the United States.**
- **Link Media avoids dependency on government funding and corporate sponsorship.** To maintain strong editorial integrity and avoid the potential conflicts of interest encountered by other networks, Link TV accepts no government funding and intends to limit corporate sponsorship to a minor portion of total revenue. (Currently, Link TV has no corporate sponsors.)
- **The key objective of the network is to *engage, educate and activate*.** Link TV seeks to transform viewers from a passive audience to an active audience. Link TV viewers are connected to places and events around the world, forging new dialogues, new insights and an empathic bond that motivates the audience to delve deeper into issues, become aware of problems, and get more actively involved.

Distribution

In 1999, the FCC mandated that a minimum of 4 percent of direct-to-home satellite TV channels be awarded to nonprofit organizations. At the time, commercial networks were paying \$75 million to \$100 million to obtain comparable satellite TV distribution. Link Media was awarded one of the few available slots, and the WorldLink network was launched with the call letters LINK. Since the launch in 1999, U.S. satellite distribution has grown 75 percent. Currently, Link TV can be seen by 44 million adults in 21 million satellite TV households, or 20 percent of the U.S. population, on a 24/7 basis. Select programs are also available to another 14 million homes via local non-commercial stations and cable systems in more than 20 cities, including New York, Philadelphia, Washington, D.C., Miami, Denver, San Francisco and San Diego. All of Link TV's original programs are available worldwide via Internet video streaming.

Audience

The events of 9/11 and recent U.S. military initiatives increased interest in international affairs and many Americans' desire to understand more about diverse cultures and perspectives. Third-party research indicates that Link TV's audience has approximately

5 million adult viewers who regularly watch the network at least one hour per week. Link TV has strong viewership in rural and suburban markets; 43 percent of DBS (direct broadcast satellite) subscribers live in rural areas, places where Americans do not have access to traditional cable, or cultural and political events. Viewer correspondence indicates that Link TV's audience is ethnically diverse and represents a broad socio-economic demographic. World Music videos and unusual documentaries are drawing a younger audience than PBS.

Link TV has attracted a diverse audience. Surveys and e-mails indicate that viewers span a broad demographic, including the typical PBS news viewer (55 years old and upscale) as well as a mix of blue-collar workers, "cultural creatives," new immigrants and young people attracted to World Music programming. Link TV donor surveys indicate that Link's audience also appears to closely match the DBS satellite geographic reach and demographics.

- DBS subscribers are wealthier than the average U.S. household; approximately 35 percent have incomes of \$60,000 or higher.
- 59 percent of DBS households have three or more people, 30 percent higher than all U.S. households.
- 40 percent have bought products online (compared to less than 12 percent of all U.S. homes).
- Nearly half of all DBS households have a computer in the same room as the TV and have gone online as a result of a TV program. (This creates a significant opportunity to activate viewers.)
- 70 percent of pledge contributors report they watch Link TV more than PBS.

In 2003, Link TV sought to focus on the teenage and young adult markets. Link found that its participatory programming and World Music videos are especially attractive to young viewers.

Management and Staff

CFO Ficks was part of a strong team working to build Link TV. Link TV was founded by a group of independent producers and journalists, led by Kim Spencer, Jack Willis and David Michaelis, who combined have had more than 90 years of television experience. Spencer, Link Media's president, has managed nonprofit media companies for 20 years, including co-founding the Internews Network and managing a staff of 240 people in 19 countries. Spencer also was coordinating producer of ABC News "Prime Time Live." Willis, Link Media's senior vice president of programming, was president and CEO of Twin Cities Public Television and vice president of programming for CBS Cable and WNET/13 in New

York. His productions have won seven Emmy's and a George Polk award for investigative journalism. Michaelis, director of current affairs, was formerly an editor and producer of news and current affairs programming on German and Israeli TV. Today, Link Media has a highly committed staff of 28 FTEs in San Francisco and New York, and is focused on building a core of talented staff, journalists and on-air personalities who are diverse in age, gender and ethnicity.

Link TV Milestones

Link TV has grown viewership, press coverage and funders since inception. In 2003, Link made substantial progress on a very limited budget. Recent milestones include:

- **Continued expansion of satellite television and local broadcast distribution.** Link TV now reaches more than 21 million American households via direct-to-home (DBS) satellite TV and offers selective programming to an additional 14 million households via distribution of programs to local public TV stations and cable outlets in more than 20 cities. When launched in 1999, the network reached 12 million homes.
- **Broad distribution of selected programs on the Internet.** Through a partnership with the Internet Archive, most of Link TV's original productions are available as high-quality video streaming to millions of Web users worldwide.
- **Substantial increase in viewership.** A recent audience survey indicated that Link TV now had more than 4.9 million regular viewers on DIRECTV and DISH Network (adults watching one or more hours per week). This represents a 300 percent increase since November 2001.
- **Dramatic growth in Web traffic.** The www.linktv.org Web site now receives approximately 96,000 visits each month.
- **Expanded press coverage by the national and local media.** In 2003 there were scores of articles in newspapers about Mosaic and Link TV in general, and substantial coverage by the national networks and many local TV stations. Link TV was featured on ABC's Nightly News with Peter Jennings, and has also received international publicity.
- **Strong viewer and celebrity support.** More than 11,000 viewers nationwide have contributed to pledge drives, Web site and direct-mail solicitations, averaging about \$74 per donation. Link has also received financial and public support from such celebrities as Willie Nelson, Dave Matthews, Bonnie Raitt, Harry Belafonte, Anita Roddick and Cher.
- **Mosaic: World News from the Middle East continues to provide a unique source of perspectives** on the region, and has influenced the way other media cover the news as it is reported by Middle East broadcasters. As a result of working with the Mosaic team during the Iraq war, a number of national networks regularly excerpted news

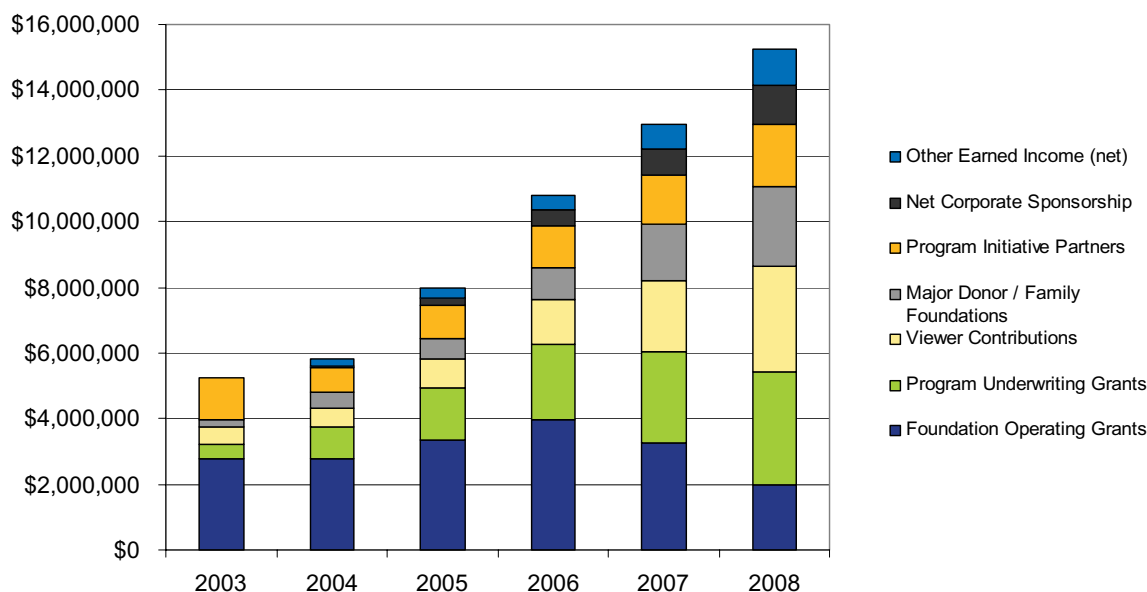
reports from Middle East broadcasters. The White House and Department of State are monitoring the daily program.

- **The launch of several new original series in the past year:** Spotlight, a weekly series of investigative reports from around the world; The Active Opposition, a monthly live call-in show; Chat the Planet, a series of conversations between American youth and their peers around the world; a monthly Mosaic analysis program; and Watchdog!, a domestic-issues program.
- **Expansion of Link TV's domestic coverage,** with programs on civil rights, the death penalty, felon disenfranchisement, rural development and farming issues, criminal justice, the Patriot Act, labor, the environment, electoral reform, the economy, privatization and media concentration.
- **Development of a youth strand.** SNAP is Link TV's first programming targeted at youth ages 16-22, an audience mostly abandoned by public television. The two-hour block of live, interactive youth programming is built around the series Chat the Planet, which links American teens with counterparts around the world.
- **Continued growth of the World Music programming and tape library,** which now includes hundreds of videos and 20 documentaries. To satisfy viewer demand, an online music store marketing CDs and direct downloads of hard-to-find music was recently launched in partnership with CalabashMusic.com.
- **Continued production of live call-in specials** on topics ranging from the war on drugs in Latin America to the role of multinational organizations in dealing with African poverty. Link produced its third annual program involving video links between the World Economic Forum in Davos, Switzerland, and the World Social Forum in Porto Alegre, Brazil.
- **Collaborations with independent media organizations** such as Pacifica Radio, Democracy Now, Globalvision and Free Speech TV, including joint live coverage of the peace marches and debate leading up to the Iraq war. Other partners include Salon.com, altnet.org, the Center for Investigative Reporting, Mother Jones, Utne Magazine, World Press Review, the Sierra Club and the ACLU.
- **Substantial new operating and programming grants,** including several multi-year grants from the Hewlett, Knight and Surdna foundations. Since inception, Link Media has raised more than \$14 million from approximately 35 foundations. A director of development was hired in January 2004, to help increase revenues, particularly from individual donors.
- **Diversification of revenue.** In FY03, Link Media raised approximately \$900,000, or 15 percent of annual revenue, from viewer contributions and major individual donors (versus 8 percent in the prior fiscal year and 1 percent in its first year).
- **Reduced operating costs and increased programming.** A new broadcast and transmission contract was negotiated for its San Francisco TV facility, reducing the network's annual infrastructure costs by \$500,000. The savings have been used to invest in additional Link TV programming.

Financial Overview

Link Media is a California nonprofit organization that operates Link TV. The current \$4.5 million annual budget has grown from about \$3 million in the first year. Eighty-five percent of current funding comes from foundation grants and the balance is primarily from viewers and major donors. Program acquisition, production expenses and broadcast transmission account for 70 percent of total annual costs. The balance is allocated to development, marketing and administrative expenses. Personnel costs account for approximately two-fifths of total spending.

Now in its fifth year, Link TV has demonstrated increasing and strong demand for its programming and has garnered increased press coverage. Link Media plans to triple its annual revenues over the next five years to expand Link TV's library of acquisitions and create more original signature programs, to build up the development department responsible for fund raising and viewer contributions, and to create a marketing team. The graph below summarizes Link TV's projected five-year revenue mix.



In the long term, Link Media plans to build a hybrid revenue model that generates revenue from viewer contributions, social-purpose commercial enterprises and philanthropic sources. In the near term, Link expects most of its funding to come from foundations and major donors.

Link Media is a mission-oriented organization, rather than a profit-driven company. As a result, the predominant evaluation criterion for any revenue opportunity is that it not influence the editorial integrity of the network. Link intends to limit corporate sponsorship to 15 percent of total revenue and has no plans to access government funding.

Fund-raising Overview

Key Fund-raising Statistics

Grant revenue since inception:	\$14 million (the top 5 foundations account for $\frac{2}{3}$ of funds)
Largest foundation supporters:	Ford, Hewlett, Knight, MacArthur, Shei'rah
FY03 viewer contributions:	\$483,000
Size of donor database:	11,000 viewers nationwide
Date of first pledge drive:	April 2001
Frequency of pledge drives:	Quarterly
Average pledge donation:	\$74 overall average, \$97 in most recent pledge drive
Direct-mail response rate:	5% to 11%

Since inception, Link Media has raised over \$14 million from more than 30 foundations including major multi-year support from the Ford, Hewlett, Knight, MacArthur, Paul Allen, Rockefeller Brothers, Shei'rah, and Surdna foundations. In the early years, Link Media's president raised most of the funds.

Foundation Operating Grants

Almost half of Link Media's current revenue is from unrestricted operating grants not tied to specific programs. Link plans to seek substantial foundation operating grants and partnership investments. Longer term, Link expects foundation operating grants to become a smaller percent of its annual budget.

Program Underwriting Grants

To date, the majority of Link Media's program underwriting grants have been dedicated to Mosaic, youth programming and a series of live specials of global issues. In the future, Link Media plans to raise substantial grant funds from foundations that are committed to supporting specific issues or projects.

Viewer Contributions

In FY02, Link Media initiated its first on-air pledge drive and direct-mail campaign. Currently, 9 percent or \$500,000 of annual funding comes from viewers. These funds are unrestricted. Research indicates that nearly 40 percent of DBS subscribers express a willingness to contribute to a network similar to Link TV. In addition, the typical PBS station receives one-third to one-half of its funding from viewers via pledge drive, direct mail and Web contributions. Major stations like KQED in San Francisco raise more than \$20 million annually from viewers. More than 70 percent of donors report that they watch Link TV more than their local PBS station, and Link's average pledge contribution of \$74 is higher than many PBS stations.

Major Donor and Private Family Foundations

In fiscal year 2003 major donor contributions doubled versus FY02. These tax-deductible contributions, which ranged from \$5,000 to \$125,000, came from wealthy viewers, musicians and celebrities, entrepreneurs, individual philanthropists and small family trust funds. Major donor contributions are often renewed annually. Link has also begun to encourage major donors to consider Link TV in their estate planning.

Program Initiative Partners

Link TV has launched two major program initiatives: youth and environment. In 2003 Link launched a strand of programming targeting youth ages 16-22, with more than \$1.5 million in support from the Shei'rah Foundation. The production of the Chat the Planet series and the SNAP weekly two-hour youth program block, produced out-of-house, not only has added programs to the Link TV lineup, but also has created partnerships with other broadcasters such as MTV and mtvU (the university channel) in the United States, and public broadcasters in Australia, South Africa, Jordan, etc.

In 2003, Link also began developing a program initiative on the environment and conservation issues. This project is part of a broad programming strategy for Link TV to focus on energy policy, global climate change, sustainable development and conservation of the natural environment, as well as conservation of diverse cultures. Link TV will jointly fund raise with partner organizations to finance this strand of programming.

Earned Income

In 2003, Link Media generated \$15,000 in commercial revenue. These revenues came from two sources: fees for providing Middle East news content to major TV networks and documentary producers, and program production for (non-governmental organizations (NGOs). Link TV's national television footprint provides an inexpensive opportunity to reach and market to millions of organization members and consumers.

Corporate Sponsorship

Link Media is pursuing "socially responsible" underwriters to sponsor programs, with a self-imposed limitation to accept no more than 15 percent of its annual budget from corporate underwriting.

Per-Subscriber Fees

Cable and satellite TV operators usually pay commercial networks a monthly fee based on the number of subscribers they reach, known as the 'per sub' fee. But many of these networks have had to pay upfront distribution slotting fees of millions of dollars (or give up substantial equity) to get carried on the major multiple-system cable operators (MSOs). This has been a barrier for Link TV to move to cable. For the past 25 years, however, cable

operators have provided the budget of CSPAN, as a voluntary public service. Satellite providers have ‘set aside’ 4 percent of their capacity for nonprofit networks (10-12 channels) while local cable TV systems typically offer only 2 ‘access’ channels.

Business Development Process

Business and new-venture development is managed by Ficks in collaboration with Spencer, Link’s president, and Willis, its SVP of programming. Link also has one part-time business development employee, who helps with fund raising and donations as well as partnerships and new-venture development.

Idea Generation

Link generates business development ideas through three primary channels:

- **Annual Planning Process:** As part of its annual budgeting and planning process, Spencer, Ficks, Willis and Ben Fuller (Link TV’s director of business development) develop and review a list of ideas for new ventures. From year to year, the team assesses how the market has changed and what new relevant contacts Link can bring to bear for business development efforts. However, new-venture development is only a minor portion of the annual planning process.
- **Drawing on Advisory Board:** Link also convenes an informal advisory board from its directors and supporters to generate and assess business development ideas. In addition to idea generation, Link draws on its advisory board for contacts and relationships to help its business development efforts.
- **Participation in Industry Conferences/Speaking Engagements:** Link executives frequently attend industry conferences, trade shows and speaking engagements around the country. These events provide efficient opportunities for informal networking and business development lead generation.

In most cases, Link pursues business development opportunistically rather than systematically, given its limited resources and lack of dedicated business development staff. It has limited staff and only informal processes for vetting and improving business development ideas.

Idea Evaluation

The business development idea list is developed according to the following criteria: short-term and long-term potential returns, market size, product uniqueness and defensibility, investment requirements and risk level, and the strategic fit with existing operations and competencies. In addition, Link gives priority to ventures that: 1) drive Link TV awareness 2) are immediately cash flow positive or neutral and have a short payback period, and 3)

allow Link to contribute a unique value-add to a partnership. Link also prioritizes business development initiatives by potential for revenue generation (i.e., the more potential dollars, the more management dedicates its attention).

Key Challenges

While Link TV has no shortage of business development ideas, Link faces several key challenges in its business development efforts. Many of the challenges it faces are a result of limited resources and staff. It has only a part-time resource for tenacious pursuit of business development opportunities. Management's focus on the core business limits its ability to develop new revenue streams in the absence of dedicated business development personnel. Link's opportunistic responses to potential ventures and partnerships, rather than establishing proactive planning and methodical outreach, limits its ability to maximize business development opportunities. Finally, Link TV's focus on immediate cash flow precludes longer-term investments.

Strategic Positioning

To help Ficks frame his thinking, he conducted a SWOT analysis to assess Link's current strategic positioning. (SWOT stands for strengths, weaknesses, opportunities and threats.)

Top Level SWOT Analysis

Link TV Strengths:

- Programming resonates with viewers and is different
- National distribution footprint
- Low-cost operating structure

Link TV Weaknesses:

- Under-funded
- Low awareness (25% aided) and moderate viewership
- Has not created a sustainable and diversified revenue model

Opportunities:

- U.S. foreign policy has created renewed interest in international issues and cultures
- Consolidation of media is reducing content diversity
- U.S. ethnic and cultural diversity is increasing ("Browning of America")
- Surge of activism: MoveOn.org, campus activism, anti-war/civil liberties demonstrations

Growth Opportunities:

- Increase investment in existing positioning, programming, and distribution platform

Future Opportunity:

- Work in partnership with mission-compatible NGOs to finance programming, publicize important issues, and activate viewers

Internal Strengths and Weaknesses

Link Media's key strengths include its unique programming, national distribution to 44 million adults and its low-cost infrastructure. Numerous television executives have visited Link's studios in San Francisco and expressed surprise that Link TV can deliver quality programming on a budget substantially below other TV networks. Its limited budget, however, has constrained Link TV's growth and impact. The network faces frequent short-term cash flow shortfalls (between foundation grants) that hinder the implementation of long-term programming, viewership and fund-raising initiatives. Link faces the long-term challenge of building a revenue model that will finance its growth.

External Opportunities and Threats

The events of 9/11, recent U.S. foreign policy initiatives, a surge in activism and political division and the growth of America's ethnic population have all created an immediate need for in-depth discussions of key issues and culturally diverse and international programming. This has contributed to Link TV's growing viewership. These positive trends, however, are affected by off-setting pressures. The evolution of TV from analog to digital has resulted in a geometric growth in the number of channels that Link TV must compete against for viewer attention. In addition, while satellite TV (DBS) growth has historically grown at a double-figure rate, cable operators (or MSOs) have begun aggressively fighting back by bundling TV, Internet and phone services. (This full service is something that is difficult for DBS operators to match.) Finally, recent FCC actions have encouraged further media consolidation. While this magnifies Link TV's point of difference, it has made it extremely difficult for new independent networks to launch. The FCC has also shown little interest in helping small, independent media voices prosper.

Key Strategic Initiatives

As Ficks looked to Link TV's future, he focused on two key initiatives:

- Developing a hybrid revenue model of donations and revenue generation from commercial activities that would not compromise Link's editorial integrity or divert management's focus from building a 24/7 network
- Driving viewership and awareness on a limited budget

Increasing and Diversifying Revenue

Link anticipates that viewer contributions will continue to account for a significant portion of future revenues. (Well-established PBS stations earn up to 50 percent of their revenue from viewer contributions.) Fund raising from a key strategic partner and major individual donors would be a focus of Spencer, Link's president.

Link TV wants to decrease its current reliance on foundation revenue through a hybrid philanthropic and earned-income revenue model. Ficks was tasked with exploring and prioritizing other potential revenue streams. (Link has created a for-profit subsidiary to pursue those opportunities that require outside investment partners.) New concepts would be evaluated on several criteria including: short-term and long-term potential returns, market size, product uniqueness and defensibility, investment requirements and risk level, and the strategic fit with existing operations and competencies. Ficks's preliminary ideas for further exploration included:

- Partnering with NGO coalitions to raise funds around specific program strands
- An annual benefit concert leveraging Link's celebrity relationships
- Selling World Music DVDs
- Launching a for-profit World Music and international entertainment cable network
- Launching a World Music CD Club in partnership with one of the major record clubs, like BMG or Columbia House, to be promoted on Link TV
- Forging an online music store partnership focused on World Music
- Leasing its late-night airtime to a third party, such as a religious or educational broadcaster
- Finding t-commerce or technology uses for its late-night airtime
- Launching a sponsored documentary film festival that would also provide TV programming for the channel
- Longer term, generating income from cable and satellite distributors through per-subscriber fees
- Soliciting corporate sponsorships for the channel without traditional commercial promotion for the sponsors and without limiting Link's editorial independence

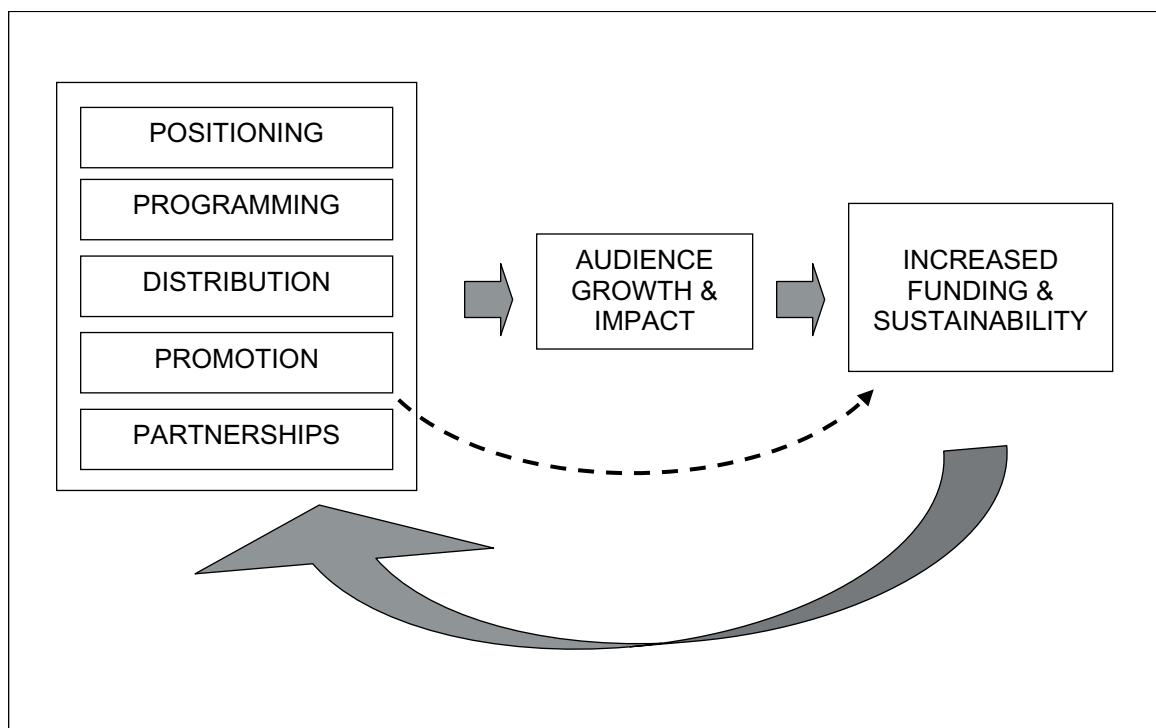
Each opportunity presented unique upsides and challenges. Furthermore, Ficks wondered whether Link's business development process was the right way to bubble the best ideas to the surface.

Increasing Distribution/Awareness/Viewer Frequency

Currently, Link TV reaches one out of five U.S. households; 27 percent of adults in these households are aware of Link TV and 38.5 percent of those who are aware of the network watch it regularly. Link's immediate objectives are to reduce its current six- to eight-week

repeat rate and build awareness through outreach, NGO partnerships, branding initiatives, cross-promotion and targeted promotional campaigns. In the coming years, Link TV will focus on expanding distribution on U.S. cable and internationally. This could require substantial additional investment.

While Link has lacked significant marketing and promotional funds, its audience continues to increase as viewers discover Link TV primarily by “channel surfing,” word of mouth and publicity. Just as CNN was able to establish a reputation and audience for itself during the first Iraq war, Link TV’s unique global programming has helped it triple its audience since 9/11. Link TV’s long-term marketing strategy is impacted by the marketing components shown below.



However, Ficks realized that the war in Iraq may have been a singular unique opportunity to dramatically increase Link’s viewership. Opportunities like these could be few and far between in the future. He had to come up with new ways to drive awareness, distribution and audience size on a limited budget. Preliminary ideas for further exploration included:

- Bartering programming with other TV channels in exchange for promotion of Link TV
- Bartering promotion with other networks
- Trying to tie into grassroots interest in the 2004 presidential election by launching a “get out the vote” campaign or other creative programming ideas

- Tapping into its numerous celebrity supporters, such as Dave Matthews, Bonnie Raitt, Willie Nelson and Bill Cosby, to jumpstart its PR efforts
- Forging a World Music marketing partnership with satellite radio companies XM Radio and Sirius
- Generating awareness through a high-profile benefit concert
- Launching a low-cost guerilla marketing campaign
- Securing cable distribution, even if MSOs did not pay per-subscriber fees

Ficks had few staff members to help him chase down these opportunities and had to choose his battles carefully. He also wondered whether Link's content development process could be improved so that the programming itself could better drive awareness.

Discussion Questions

Hybrid Revenue Model Questions

1. Which new revenue ideas do you think are most feasible and why? What frameworks and evaluation criteria would you apply to your assessment? How would you link an evaluation of Link TV content to new revenue opportunities?
2. What other revenue generating ideas would you suggest for Link TV and why?
3. Comment on Link TV's business development process. How would you change its business development process to best achieve its hybrid revenue- model objective?
4. Based on your knowledge of the cable and satellite TV industries, is it realistic for Link to expect per-sub fees in the future?
5. Should Link develop a non-market strategy for political support to win per-sub fees from cable and satellite operators?
6. Write a five bullet point strategic plan for Link TV to approach new revenue generation opportunities.

Increased Awareness Questions

1. Which ideas do you think offer the most promise and why? What frameworks and evaluation criteria would you apply to your assessment?
2. What other awareness-generating ideas would you suggest for Link TV and why?
3. Comment on Link TV's programming selection and development process. How might you change this process to help drive awareness of Link TV?

4. Based on your knowledge of the cable TV industry, is it realistic for Link to expect to gain cable distribution?
5. Write a five bullet point plan for Link TV to generate greater awareness, assuming very little marketing resources.

