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TOP 10

Broadcast TV
equipment companies



Q&A with Sony Broadcast President
Ed Grebow / 20

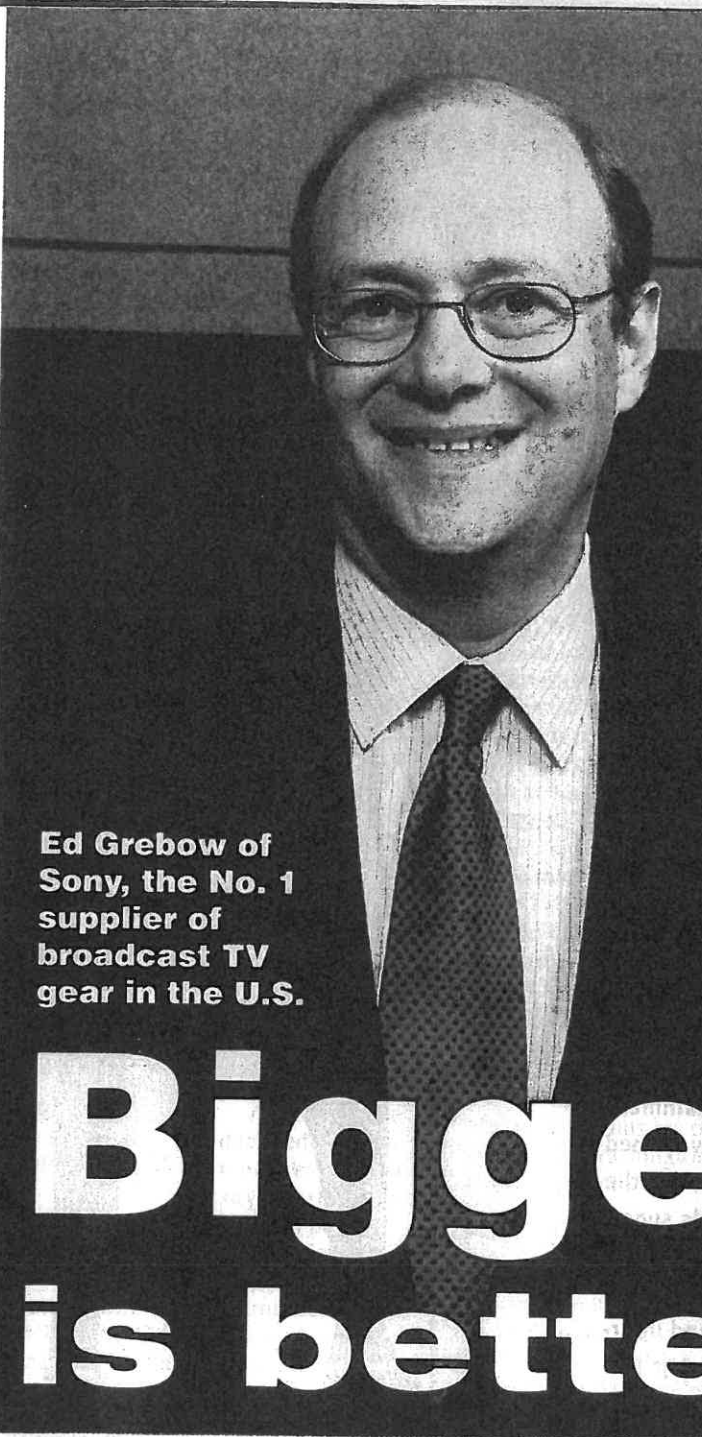
- 1 Sony—\$600M
- 2 Panasonic—\$300M
- 3 Harris—\$265M
- 4 Avid—\$220M
- 5 Grass Valley—\$204M
- 6 Philips—\$125M
- 7 Pinnacle—\$100M
- 8 Quantel \$100M
- 9 Dielectric—\$60M
- 10 Leitch—\$56M

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Chris-Crafty
deal leaves
UPN twisting
in the wind

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CABLE / 36
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Ed Grebow of
Sony, the No. 1
supplier of
broadcast TV
gear in the U.S.

Bigger is better

Ed Grebow is having fun behind the wheel of Sony Broadcast and Professional Company (BPC), the U.S.'s No. 1 broadcast-television equipment manufacturer. Grebow, 51, oversees a business with 1,300 employees and 3,800 products, ranging from low-end security cameras to film-quality HDTV production systems. Size doesn't faze Grebow, who spent 16 years in banking before beginning his broadcast career at CBS in 1988. Seven years at CBS were followed by stints at TELE-TV, where he oversaw technology for the star-crossed telco TV venture, and Chyron Corp., where he served as president and CEO. In this wide-ranging interview with BROADCASTING & CABLE Associate Editor Glen Dickson, he urges the television industry to settle lingering DTV-standard debates on modulation and copy protection, predicts that HDTV videotape will replace film for television production and muses on the growing role of consumer technology in Sony's professional products.

It's been a little over a year since you left Chyron to run Sony BPC, which you described at the time as the company "in the best position to take advantage of what digital television can offer across the board." How would you rate your progress so far?

We've made good progress in the last year. We have had a wide range of new products introduced. We've had record sales. We have had a lot of internal changes, and we've worked with an awful lot of broadcasters as they convert to digital. We've also had good success as professional video moves from being just a broadcast tool to being a tool that a lot of corporations and Internet companies and non-traditional video producers are involved in.

Leading up to NAB, a lot of traditional broadcast suppliers were repositioning themselves as being Internet-friendly, or even as Internet-equipment vendors. In your pre-NAB presentation, you conceded that Sony is still a hardware company, but one focused on the "broadband network era." What is Sony BPC's Internet strategy?

We are the leading manufacturer of hardware and systems both for broadcast video and for people who want to distribute video over the Internet. So most of our new products that were being introduced at NAB are intended to facilitate the repurposing of content. Broadcasters today want to shoot a piece, use it on the evening news, then use it on a magazine show. Then take it and use it on a cable network; then either simultaneously or subsequently, with some editing, use it over the Internet as well. And all of our servers and editors, and even our cameras now, will facilitate that repurposing of content. We have stated that, over time, all of Sony's professional products will talk to the Internet. That's our long-term goal.

Are you going to continue to have as broad a range of products, or do you see narrowing your offerings? You certainly partner with more third-party providers to come up with broadcast solutions than you did five years ago. Is there any area that you think might be whittled away?

We have 3,800 products today, and that number is not going to change significantly. Every year, we introduce new products and we discontinue others. There could be, over time, a slight reduction in the number of models just for efficiency's sake and to keep costs down. But the partnering activities are really to

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bring us into new business areas. The one we most recently announced is our transaction with Panavision, where we partnered with Panavision for cinematography cameras. That's an area that Sony was never in before. If anything, that increases our product line. It doesn't reduce it.

A traditional criticism of Sony is that you are a "box manufacturer" that would rather sell a whole system than integrate with other manufacturers.

Although you talk about open systems and working with other manufacturers, some competitors say you haven't changed that much. Any thoughts?

We like nothing better than selling a broadcaster an entire station facility. We're the largest systems integrator, and we do more of those projects than anyone. But increasingly, the systems that we sell, the end-to-end solutions that we sell to broadcasters and others, consist of both Sony and non-Sony products. So we take very seriously our responsibility to provide the best end-to-end solutions. Hopefully, that will have a lot of Sony content to it. But it also will have non-Sony content. We take our commitment to open standards very seriously, and increasingly our products are built around SMPTE and other standards. We see increasing use of common platforms that we share with other manufacturers, and interoperability is what broadcasters want and what we're committed to today.

Your main competitor in the tape-equipment business, Panasonic, has significantly improved its market share over the past five years by focusing on one format, DVCPRO. Sony, on the other hand, has DVCAM, Betacam SX and the new IMX, its second MPEG-2-based tape format. You also have two HDTV formats. Do you have too many?

No one format is right for every application and every customer. So we have a product line that provides products for each customer segment and each of our industry groups. DVCAM has become the recognized leader for low-end videography, but increasingly for broadcast use. For ENG, SX has become increasingly popular. If you look at current sales, our market-share data says we're selling more SX now than DVCPRO. So SX is a terrific format. And we view Digital Betacam as being the format of choice for program distribution.

I don't see any of our current formats becoming obsolete any time soon. But over long periods of time, formats do

change, and we will migrate to the best technology available.

Describe the progress of the IMX MPEG-2 format and its significance in Sony's overall DTV strategy. Before NAB, you spoke of positioning it alongside SX as a studio format.

We view MPEG as being the format of choice to move video and data throughout a facility. The IMX VTR is the way to do it. We have started taking orders, and we're supposed to start shipping in January. There's tremendous customer excitement about the format. But we haven't actually sold any, and nobody actually has it to work with yet. It's really too soon to say. But it does not replace SX. There is no IMX camcorder.

Besides production gear, in what other areas is Sony focusing its R&D dollars? What about transmission gear?

We don't aspire to make transmitters. There are a couple of companies that do a very good job of that. We are making a line of encoders. We have a new router coming. We are going to be introducing a master control switcher very soon. So we view transmission products—other than transmitters, transmission lines and antennas—as being very important.

I was thinking more of encoders and other compression gear. Considering how many silicon chips you buy for the consumer side for set-tops and such, there should be some manufacturing efficiencies there.

Well, the relationship between our consumer products and our professional products is an important one and a changing one. It used to be that a technology would first appear on the professional side of the business and then move into the consumer business. Today, we see the opposite happening, and so you will see consumer technologies in that role migrate into the professional line. So, I-Link [IEEE 1394, or Firewire] for example, is something that we're looking at introducing in some of our professional products. We've already started using Memory Stick in some of our broadcast products. You will see us taking advantage of consumer technology, particularly the economies you get from consumer volumes, in our professional and broadcast equipment wherever possible.

Most broadcasters, equipment suppliers and regulators would agree that the digital television movement is stalled in this country. What's the cause of the problem?

The transition to digital is not stalled at all. Broadcasters are moving rapidly to convert their facilities to digital. Digital transmitters are being installed, and certainly, on the production side, we see a lot of digital and HD production, particularly in 24p. What has gone much slower than any of us thought

or would have liked is HDTV transmission and broadcast.

There have been a number of causes for that slowdown: the lack of agreement on standards, both transmission standards and copy-protection standards; the shortage of programming; and the shortage of affordable consumer television sets in HD have certainly all contributed to that slowdown.

So what can be done to get it back on track? I remember you said at NAB that the FCC needed to close the modulation issue within 60 days.

Speed is of the essence. I've been saying that for a long time in several different companies now. The most important

thing is that the uncertainty be eliminated for broadcasters and equipment manufacturers and consumer manufacturers, and for the public at large. Consumers need to know that if they buy an expensive digital-television set, it will not become obsolete because the standards change. And, likewise, broadcasters buying professional equipment need to have that same certainty.

So the most important thing that needs to be done is for the industries and the FCC to agree to a resolution of the open-standards issues. But the important thing to

note is that broadcasters and broadcast-equipment manufacturers have made tremendous investments in the digital conversion. So, while we're talking about the slowness of HD, we cannot ignore the fact that the broadcast industry has made massive investments in re-equipping itself for digital, and Sony has been a part of that.

Back in February, you predicted the FCC's confirmation of 8-VSB as the digital-modulation standard would "jumpstart DTV this year." But in June, Sony's

consumer division delayed its introduction of new HDTV receivers for the year 2000, citing both engineering difficulties and marketplace uncertainty as contributing to the decision. What impact did that decision have on your business on the broadcast side, particularly in your discussions with potential customers for HDTV equipment?

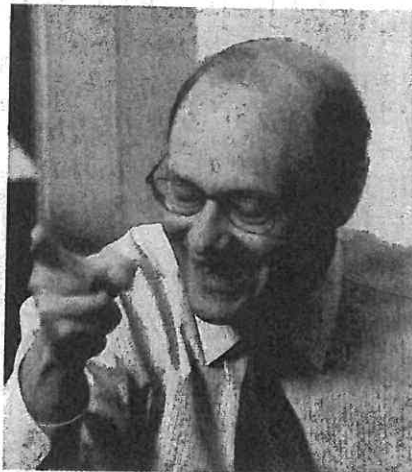
The consumer television group has postponed some of its new products that they announced in January for the technical and business reasons that you mentioned. But that has no impact at all on what we do on the professional side in terms of equipment. And I don't think it has had any direct impact on our customers. It is one more sign of the issues that confront HDTV—the standards issues, the programming issues and the lack of receivers. So there's a chicken-and-egg problem that we've talked about for years, and we don't seem to be able to get beyond it very quickly.

Where, exactly, does Sony stand on the DTV modulation issue?

Sony has been a longtime supporter of 8-VSB, but that has



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been based on a set of business requirements. For traditional over-the-air broadcasting, we continue to believe that 8-VSB is a superior technology. If your goal is to do primarily mobile applications or data broadcasting, then I think there's an argument that COFDM would be better. Frankly, I don't think it matters which standard is ultimately chosen, as long as the decision is made and we stick with it. What we can't continue to have is the uncertainty.

"As long as it doesn't replace HDTV or traditional over-the-air broadcasting, I don't see anything wrong with datacasting."

While Sony has provided HDTV equipment for *The Tonight Show With Jay Leno* and several special HDTV events on NBC and CBS, the company hasn't underwritten any recurring prime time series or sporting event. Do you see that changing in the next year or two?

We support anything that can be done to increase the amount of HDTV programming, and we have a thriving business [chuckles] in lending equipment to companies that want to produce shows in HDTV. And we have actually paid to sponsor certain broadcasts in HDTV. But sponsoring recurring series is something that would be done by our consumer-electronics group, and they don't see a reason to do that until we have a full range of consumer HDTV products to promote. But we're spending a lot of money encouraging the production of HDTV programming, through product and through cash.

There has been a lot of talk about new datacasting services, with various station groups proposing to lease part of the DTV spectrum for data or starting their own multimedia programming services. Do you think those alternative business opportunities are to blame for the industry's lack of enthusiasm for HDTV? Or is it something else?

I don't think datacasting is to blame for the slowdown of HDTV. I think the FCC standard recognized that datacasting ancillary to video was an appropriate use of the spectrum. We see most broadcasters looking at datacasting services are looking to do it in addition to HD programming. There's enough bandwidth in the spectrum that you should be able to do both video and data. And, over time, as compression gets better and better, you'll be able to do even more. As long as it doesn't replace HDTV or traditional over-the-air broadcasting, I don't see anything wrong with datacasting as an additional service.

You mentioned the Panavision deal earlier. Describe the prospects for 24p HDTV production in the television community.

HDTV—despite its sluggishness for broadcast—is thriving in the production community for television. And we see 24p, as the video replacement for 35mm film, as having taken the television-production community by storm this year. For television, we see it being a very viable option. I would make a prediction

that in two years, over half the prime time television dramas and movies-of-the-week will be shot in HD 24p. This will happen quickly.

What are your goals for Sony BPC for 2001, and then five years out?

This year, our goals were pretty well articulated at NAB: digital asset management, cinematography and MPEG on the broadcast side are our high-priority goals. As you look further ahead, there's HDTV and bringing the price and capabilities of it to a point where broadcasters and, ultimately, consumers will embrace it.

We view digital asset management as the hub around which most of our other products will ultimately revolve. Broadcasters bringing content into their facility and then being able to use their digital asset-management system to edit it and repurpose it and transmit it to different kinds of devices, we think is central. You're going to be seeing announcements from us in that area.

The globalization of broadcast is important to us. More and more of our customers operate globally and want us to be able to support them globally. We see "outside-of-traditional broadcast" customers as being a growing area. We've had expressions of interest and some jobs from industrial companies that want to build big video networks. That's a growing area for us.

And the merging of our consumer and professional businesses, where it makes sense, to get economies of scale, to get increased capability—that's another long-term goal.

So we have big aspirations for the U.S. We're the largest equipment supplier to the broadcast industry today. We're the largest supplier to the professional-video markets, and we expect to continue to grow our market share. The future is very bright for Sony.