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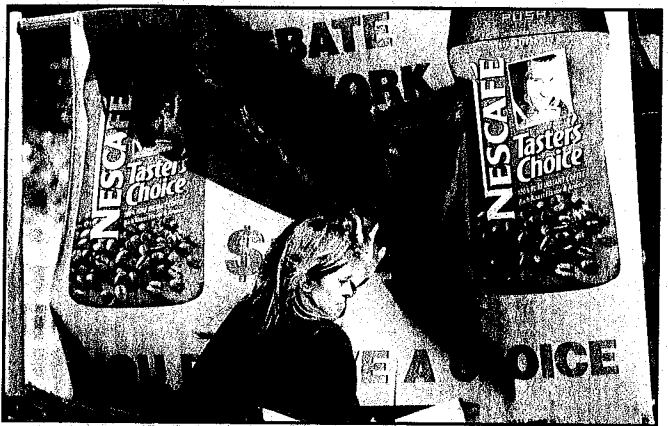

**Producer Mark Burnett is brewing integration deals for new series "The Contender" as he did for Nescafe and "The Apprentice."**

# Battle for the brands

## *Integration deals vex producers*

By Gail Schiller

When it comes to brand integration in unscripted programming, producer Mark Burnett of "Survivor" and "The Apprentice" fame remains in a class by himself as evidenced by his success in lining up deals with blue-chip brands for his upcoming NBC boxing series "The Contender."

But even producers without Burnett's clout are entering the ring to fight networks and stu-

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# Indecency bill on to full House

## *Panel gives OK in 46-2 vote*

By Brooks Boliek

WASHINGTON — A key House committee put legislation on the fast track Wednesday that would exponentially increase the fines broadcasters pay for airing racy programming .

In a 46-2 vote, the House Commerce Committee approved a bill that would raise fines from $32,500 per incident to $500,000. The same legislation also increases the fines performers face for indecent broadcasts from $11,000 per incident to $500,000 and removes the FCC rule that gives performers a warning after the first incident.

"Clearly, the FCC's enforcement tools could use sharpening, and that's precisely what (the bill) does," committee chairman Rep. Joe Barton, R-Texas, said.

Although the legislation won overwhelming approval, two Democrats opposed it. Reps. Henry Waxman of California and Janice Schakowsky of Illi-

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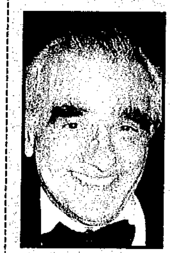

**Scorsese**

**DiCaprio**

# 'Aviator' trio eye 'Angel' for Warners

By Liza Foreman

"The Aviator" team of Martin Scorsese, Leonardo DiCaprio and screenwriter John Logan are in early negotiations to develop a remake of Akira Kurosawa's 1948 classic "Drunken Angel" for Warner Bros. Pictures.

DiCaprio is attached to star in the film, which would be produced by Barbara DeFina with Scorsese and DiCaprio through the latter's Appian Way production shingle, which is based at Initial Entertainment Group. Logan would pen the project, which is being discussed as a potential directing vehicle for Scorsese.

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# Thomopoulos, Hamilton take another 'Bite'

By Borys Kit

**Hamilton**

Get ready for more bite.

Tony Thomopoulos and George Hamilton are resurrecting the vampire comedy "Love at First Bite" and have brought David Steinberg on board to write the sequel-cum-update, "Love at Second Bite."

"First Bite" was released in 1979 by MGM and starred Hamilton as Count Dracula,

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# Integration

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dios for the mounting revenue emanating from brand integration deals.

Realizing that they were losing big money by allowing producers to cut their own integration deals with advertisers, major broadcast and cable networks have begun to assert more control over the deals, leading to some very tough negotiations with producers over integration rights, coveted ad inventory and license fees.

"This is going to be a very big battle," said Michael Davies, president of Diplomatic Prods. and executive producer of ABC's "Wife Swap," "Pepsi's Play for a Billion" and "Who Wants to Be a Millionaire." "When we walk through the door and have brands already on board, we feel we're entitled to share in the incremental ad revenue. The networks would much rather protect that revenue. This is a huge issue for us."

As the battles over integration rights heat up, some networks are flat-out telling producers that product integration — along with all other advertiser revenue — is the network's turf and that they should not even pitch any shows with advertisers already attached. When networks are willing to discuss the issue at all, they are often trying to reduce license fees in exchange for giving up product integration dollars to producers or studios.

"If producers are going to get involved with advertising clients, the negative effect for the networks is that the client is not going to necessarily support the integration with media," said Joe Abruzzese, president of advertising sales for Discovery Networks. "Because they're getting their advertising on the air in the form of integration, the revenue that normally comes in through advertising now goes into the producer's pocket. We lose the revenue."

But producers are not willing to give up so easily on their newfound revenue source, especially when it comes to reality TV, where there is little money to be made in syndication. Because the producers are the ones tasked with doing the heavy lifting in integrating brands into shows and figuring out creative ways to avoid placements that look like blatant sales pitches, they question how the networks can cut them out completely.

"It's understandable that producers want a piece," said Dave Bartis, a producer on Fox's "The O.C." and CEO of production company Hypnotic. "They're being asked to structure programming around a brand. If I've got to work to integrate an advertiser, I'm going to want some of that money."

Added Burnett, "Without the producers involved in the integration, the shows won't have the integration."

Ben Silverman, CEO of Reveille and executive producer of "The Restaurant," "Blow Out" and "The Biggest Loser," believes that networks and producers are getting more and more sophisticated about the fact that there is money to be made from product integration deals and that money is "potentially shifting."

"I think what you're seeing is the beginning stages of an emerging marketplace that needs rules," Silverman said. "It's a little bit of the Wild West, but one thing that's for certain is that everyone wants to control these deals."

rights, six spots that he purchased from NBC at a base price and a license fee of close to $2 million.

Industry sources said all the major networks were willing to agree to Burnett's terms, and in fact, all made offers above his asking price. Despite the networks' positions on retaining integration revenue, the issue in the end — as evidenced by Burnett's success — comes down to how badly they want the show being pitched and the clout of the producer making the program.

"In the case of Burnett, the networks are dealing with an 800-pound gorilla, so they're not going to demand as much control because they trust he will deliver the numbers," said Andy Marks, co-creator of the Chrysler Million Dollar Film Festival and founding partner of Matter, a branded content and production company. "If you're powerful, they play ball. If you're not powerful and you don't have any leverage, they want it all."

It was Burnett who conceived of

**"This is going to be a very big battle. When we walk through the door and have brands already on board, we feel we're entitled to share in the incremental ad revenue." — Producer Michael Davies**

Producers, agents and attorneys said they have witnessed the networks during the past six to 12 months getting tougher and tougher about controlling product placements — long given away for free by both networks and producers as a way to bring down production costs. Now with Burnett on the scene, those placement fees have reportedly soared as high as $2 million for shows like "The Apprentice," and coveted network ad inventory also has come into play.

While producers, agents and attorneys cited "The Contender," which premieres March 7, as a prime example of a network losing the battle over product integration revenue, Burnett said there was no fight with NBC. He said the peacock simply made the best offer after the Big Four networks were presented in writing with his minimum terms to acquire the show.

"There wasn't any big argument," Burnett said. "It was a very appropriately discussed business arrangement, and everyone is really happy. It was a very fair deal." For each episode of "The Contender," Burnett reportedly acquired all product integration

the new brand-integrated business model for reality TV with his first megahit, CBS' "Survivor." CBS set up a joint venture, Survivor Entertainment Group, in partnership with Burnett to produce the show and allowed him to help sell some of the advertising time in what the network viewed as an experimental series to liven up an otherwise rerun-laden primetime schedule during summer 2000.

CBS was stunned when the show exceeded all expectations and turned into a massive hit. After the first "Survivor," CBS took control of all ad sales on subsequent installments in exchange for paying a much higher license fee for the show.

While Burnett still appears to be in a class by himself, his enormous success in obtaining the rights to product integration and network ad inventory while still earning hefty license fees has opened the door for other producers trying to follow in his footsteps.

But television executives said most producers shouldn't expect to succeed in extracting the type of ad-sharing deals from the networks that are apparently reserved only for the likes of Burnett. "Profit sharing in any way is a very dangerous thing," Abruzzese said. "A lot more shows lose money than make money, and the ones that make money have to carry the whole network."

Networks have appeared to be more willing to part with their ad time when they're getting a show funded completely by brands with no license fee attached, as was the case with NBC's "Restaurant" and Bravo's "Blow Out." But in the second season of both shows, the networks took back the ad time — half of the spots — and paid a license fee instead.

"So what does that say?" asked Gary Benz, CEO of GRB Entertainment, which recently produced "Growing Up Gotti" for A&E and "The Next Action Star" for NBC. "If a show is successful, they want to control the advertising time."

In scripted television, the studios have become yet another player fighting for the same integration rights, battling with both the networks and individual producers for control. Bartis said he had been turned down when he approached certain networks and studios about integrating brands into scripted shows.

"They did not want to set a precedent where the brand is able to work directly through the producer," Bartis said. "They were not willing to create that model yet in scripted (television)."

Networks appear to vary somewhat in their willingness to negotiate over advertiser revenue emanating from product integration. Viacom networks CBS and UPN reportedly have let producers know that they consider product integration dollars their turf and that they're not in the business of sharing them. CBS and UPN declined comment.

An ABC representative said the network controls all negotiations over product integration fees with advertisers but would not say whether ABC was willing to share those revenue with producers. ABC also said an advertiser must buy time on a show in order to be integrated in its content. According to some producers and agents, ABC is a tough negotiator, once even demanding half the value of costly products integrated into a reality show by producers looking to cut production costs.

NBC and the WB Network are reportedly more amenable to sharing product integration revenue with producers and negotiating

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# 'Contender' could score financial KO

## *No shortage of revenue streams for boxing show*

By Gail Schiller

Executive producers Mark Burnett and Jeffrey Katzenberg have extracted revenue from so many different sources on "The Contender" that the boxing-themed reality series could be more of a business than a TV show.

Regardless of its ratings when it begins its run March 7 on NBC, "Contender" appears to be Burnett's biggest money-making enterprise for a new show, industry executives said. Revenue streams for Contender Partners Llc. — a joint venture between Mark Burnett Prods. and DreamWorks Llc. — include the sale of NBC ads, an equity stake in boxing brand Everlast as well as more traditional product integration fees, ticket sales for the "Contender" boxing finale at Caesars Palace in Las Vegas and future rights to the fighters who star on the show.

Burnett also shares in half the ad revenue generated by a "Contender" site housed on Yahoo! and cut a multiyear, multishow deal with "Contender" sponsor Home Depot for integration into five shows, including "The Apprentice 3."

In addition to getting a traditional license fee of close to $2 million from NBC, Burnett and Katzenberg are said to have obtained the rights to sell six commercial spots per episode. NBC sold the spots to Contender Partners at an undisclosed base price, giving Burnett and Katzenberg the opportunity to sell them at a profit to sponsors Home Depot, Gatorade, Sierra Mist and Toyota, which is said to be spending more than $11 million on ads alone.

Burnett's deal with NBC also handed Contender Partners all the integration fees paid by advertisers, which were said to be in the low-six-figure range — significantly less than the reported $2 million per integration paid by brands on "Apprentice." Burnett said the integration fees were significantly higher for "Apprentice" because entire episodes focused on a product or brand, giving advertisers much more screen time. Toyota reportedly paid a total of about $4 million for integration throughout the "Contender" series.

In addition to receiving cash-integration fees, Burnett and Katzenberg struck a deal with boxing equipment and athletic apparel supplier Everlast for stock warrants worth about 5% of the company. Gary Dailey, chief financial officer at Everlast, said the warrants were worth a few hundred thousand dollars at the time the deal was made but are worth about $1.5 million at current stock prices — and could be worth much more if "Contender" is a hit.

If "Contender" returns to NBC with at least 10 new shows for a second season, Burnett and Katzenberg will pick up warrants for another 5% stake in Everlast, and the same goes for a third season, which wound give the producers a total equity interest of 15% in the company.

In exchange for giving Burnett a piece of the company, Everlast will be the exclusive supplier of boxing equipment, active wear, T-shirts and shoes for "Contender" and be featured prominently in every episode. Everlast, which is not buying ads during the show, also will unveil a line of sports apparel, shoes and equipment branded with "As Seen on 'The Contender' " hangtags that will be sold exclusively in about 500 Foot Locker stores. Burnett also gets licensing royalties on the sale of "Contender"-branded Everlast product.

Contender Partners Llc. owns the rights to all 16 boxing contestants, who were reportedly selected through a nationwide search of the most promising talent. Burnett said that after "Contender" airs, he and co-promoter Brian Edwards of DreamWorks will choose which boxers they want to work with.

Contender Partners also will take a significant cut of ticket sales for the "Contender" finale, a Nevada State Boxing Commission-sanctioned fight at Caesars Palace. With the venue at Caesars Event Center able to accommodate about 6,000 people for the fight, the bout could prove to be another windfall for Burnett and Katzenberg.

### Cornermen

*Show sponsors in and out of the ring*

- Tacoma and Tundra trucks featured in show competitions
- Soft drink consumed by fighters during press conferences
- Sports drink consumed by fighters during training
- Fighters use Carson, Calif.-based Home Depot Center
- Official provider of all boxing equipment on the show

# Integration

*Continued from page 30—*

deals on a case-by-case basis. An NBC representative said the network controls product integration rights and evaluates deals on a case-by-case basis. Fox also is said to negotiate deals on a case-by-case basis. Fox and the WB declined comment.

Cable outlets are reportedly more open than the broadcast networks to sharing revenue emanating from integration deals, though Discovery brass have told producers not to pitch shows to any of their 14 channels with advertisers attached. "We have to make sure the shows come in clean," said Abruzzese, who was president of ad sales at CBS.

The ad sales divisions want to use integration opportunities as leverage to extract bigger ad buys from advertisers; they don't want producers' integration deals to limit their ability to sell ad time to competing brands; they don't want to lose sales from advertisers shifting funds from ad buys to integrations; and they don't want producers to jeopardize their deals, threaten their jobs or infringe on their turf.

In fact, one of the broadcast networks recently walked away from a $3 million integration deal set up by the producers of a scripted show on grounds that it could hurt its ad sales, a source close to the deal said. Under the terms of the deal, three different advertisers would have been integrated into 13 episodes of the show, and the $3 million in fees would have been shared between the network and the producers.

Despite many of the networks' official policies of controlling all rights to product integration fees, they seem to bend those rules when they see fit. "The networks are going to very loudly say that they control integration fees because they don't want to publicly establish a precedent," Davies said. "That doesn't mean that they're not going to negotiate a split in the back room."

Numerous producers besides Burnett have been able to obtain full control over integration rights or placement revenue-sharing deals with the networks, clearly demonstrating that the money is still up for grabs.

"When you have a show where you think product integration can work organically, you're going to want to try and negotiate a deal so you can keep as much of the integration dollars as possible," said Renegade 83 partner David Garfinkle, an executive producer of the upcoming NBC reality law series "The Law Firm" along with David E. Kelley. "It's been Renegade's experience that the networks are open to that."

Benz said GRB Entertainment has been able to retain the integration rights for more than half of its shows, including Spike TV's "Invasion Iowa," which premieres next month. And several producers said they succeeded in negotiating 50-50 integration revenue-sharing deals with the networks.

Many producers said they believe that revenue-sharing deals will emerge as the only logical solution for networks and producers, but several TV exes, at least for the moment, appear confident in their ability to win the fight and take home all the brand integration prize money.

"I think the networks will prevail," Abruzzese said. "A lot of producers just want to get their shows on the air."