



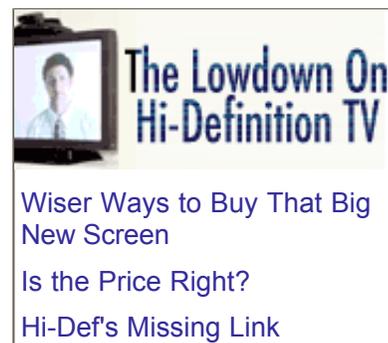
HDTV

The Big Picture

Leigh Gallagher , 03.01.04

The boob tube is hot again, thanks to crisp, high-definition sets and broadcasts. High-priced hype? Mark Cuban isn't waiting to find out. He's betting a chunk of his billion-dollar fortune that TV's future will arrive sooner than you think.

Mark Cuban does nothing in half-measures. The Dallas-based Internet billionaire loves basketball. Instead of getting season tickets, he bought the Dallas Mavericks. Instead of flying first class, he bought a Gulfstream V--over the Web. He can't even watch TV like a normal person. In 2000, shortly after he sold his Internet media service Broadcast.com to Yahoo for \$5.7 billion (netting \$1.7 billion of stock for himself), Cuban went shopping for a new home theater: "I just said [to the salesperson], 'Give me the latest and greatest of everything.'" He got a 100-inch projection screen and, along with it, the new high-definition channel that came with DirecTV. All it had on was a continuous loop of guys kayaking and snippets of an old NBA all-star game. It was incredibly frustrating, yet the picture quality was so amazing, he says, "I was glued to the screen." He went to an online forum and read dozens of posts from like-minded souls, all of them bedazzled but wanting more. "Why weren't other companies getting into it?"



The average couch potato would have just shrugged and changed the channel. Cuban changed channels by bankrolling one. In the biggest bet of his 45-year-old life, Cuban has invested a sum exceeding \$100 million to start HDNet, the first all-hi-def network. Just three years old, HDNet has 1,200 hours of original programming shot in high definition and almost as much in licensed content. It's on 24 hours a day and at any given time has eight crews shooting all over the world; it airs 15 hours of new, original programming per week. A second channel, HDNet Movies, shows feature films like *The Shawshank Redemption*, *The Real Cancun* and *Her Alibi*. Cuban has deals with six Hollywood studios for the rights to convert their films from 35mm to hi-def.

High-definition TV is a digital format that offers picture quality up to ten times as sharp as standard TV's (based on the screen pixel count), typically displayed in a wide-screen format and enveloped in digital surround sound. After years of empty hype, hi-def is finally catching on. Set prices are dropping, with some already below \$1,000 (see "[Is the Price Right?](#)", p. 80). Consumers bought 4 million sets last year, up from 2.5 million in 2002. The number of homes with HDTV monitors will surpass 10 million this year, says Yankee Group.

Following the track of other electronics markets that started slow and then reached a flex point, says Cuban, HDTV is poised to hit its stride. The broadcast networks have been beaming out hi-def shows since as early as 1998, but until recently few homes have had an HD-capable set, and only 13% of TV homes get their fare over the air, anyway. With its head start, Cuban's HDNet has been able to reach 66 million homes, or 60% of U.S. television households, and is carried on the DirecTV and Dish satellite networks and all the big cable systems except Cablevision, Cox Communications and Comcast. Cuban gets an undisclosed fee per subscriber from the cabling for the right to carry HDNet and plans to make money selling ads and licensing content.

Cuban is early, but scarcely lacking for competitors. ESPN, Discovery, Showtime, HBO and Bravo all now have their own hi-def channels; Voom, a satellite service launched in October by Cablevision, offers 30 HD channels. In September the In Demand pay-per-view service, jointly owned by Comcast, Cox and Time Warner, launched a cable channel called INHD. "It was conceived as a Cuban-killer," says one satellite executive.

Cuban sees competition as a beautiful thing. "A consumer will never say, 'Okay, I have enough. I don't want any more,'" says Cuban, who thinks he will be able to compete on content. "HBO didn't start out with *The Sopranos*. They started with Robert Klein live," he says. HDNet's fare isn't exactly Emmy-worthy. Any given day it offers *World Extreme Cagefighting*, *Bikini Destinations: Palm Springs* and *Ostrich: Ultimate Survivors*.

But if the day comes when everyone watches in HD, and that's still a pretty big if, Cuban has beachfront property. Each high-definition channel takes up the bandwidth of five or six low-definition digital channels, so there's not enough room for each of the hundreds of cable and satellite channels to come out with its own high-definition network. "You're going to have a golden age of television for some and a disaster for others," he predicts. The battle will be over whether satellite or cable space now devoted to five obscure items like *Taxidermy Trails* and *More Reflections with Father Leo Clifford* will be tossed aside to make room for a much crisper rendition of a cop drama or a basketball game. It would seem to be inevitable that as sets get cheaper and more ubiquitous, hi-def shows will win more of these battles.

HDNet still badly needs to get picked up on Comcast, Cox and Cablevision, which own 40% of cable subscribers. And whether anyone--except for the makers of televisions and set-top boxes--will profit from HDTV is unclear. Cuban, who now has four HDTV sets in his home, will say only that his return on investment is "very negative" and that he has added to his initial investment.

Not everyone shares his vision for an all-HD future. "This is not a product at the moment that's being driven by consumer demand," says Fred Dressler, executive vice president of programming for Time Warner, which agreed to carry HDNet and HDNet Movies in December. "We don't think that everyone is going to want hi-def, but we're going to offer it."

As far as Cuban is concerned, the hi-def naysayers are as off the mark as were the Internet pooh-poohers when he was pitching Broadcast.com in early 1995. "They don't see that things are changing," he says.

Cuban, now married with a 4-month-old daughter, is decidedly more sedate than his cranked-up former self. But his hatred of losing persists. "I'll spend as much as it takes," he says. He's worth an estimated \$1.3 billion, having sold most of his Yahoo shares well before the crash.

"People thought FM radio was a joke," he says. "This is that big."