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A Bigger Screen for Mark Cuban

The bad-boy owner of the Dallas Mavericks bets you'll want high-definition TV, and he usually wins his bets

By CATHY BOOTH THOMAS

It's three hours before a Dallas Mavericks home basketball game, and team owner Mark Cuban is sitting with his bare feet on the coffee table, surfing satellite-TV offerings on five huge screens in his courtside suite at the American Airlines Center. Clicking on Channel 199, he pauses to watch a bikini-clad woman conducting a tour of an Egyptian temple. The picture is startling not because of the bikini but because everything seems so real--as if the woman and the temple were somehow just outside the window. "It's like being there, isn't it?" asks Cuban, with something like pride of ownership in his voice.

But, then, he is the owner of the channel onscreen. Having made his first million dollars on computer networks in the '80s and his first billion on the Internet in the '90s, Cuban is now betting on high-definition television, which uses digital technology to produce a picture four times as sharp as that of its nearest competitor. Last September, eager to broadcast Mavericks games in the high-definition format and frustrated by the industry's slow conversion to digital, Cuban launched HDNet --the first national TV network to offer all its programming in high def. On the air 16 hours a day via DirecTV satellite, HDNet offers mostly sports, including the recent NCAA Final Four, Major League Baseball and National Hockey League games as well as concerts, beauty pageants and, yes, travelogues hosted by babes in bikinis.

HDTV has been around, at least in concept, since the '60s, and everyone who has seen it agrees that it's a joy to watch. You can literally see each bead of sweat rolling off a player onscreen. The format's adoption, however, has been slowed by a broadcasting industry that has billions of dollars invested in the old ways of doing TV. Now comes Cuban, who has a proven eye for the next hot technology. He knows when to invest and--rarest of gifts--when to sell. After creating Broadcast.com to transmit radio programs over the Internet, Cuban sold out to Yahoo for \$5.7 billion in stock in 1999. Later that year he unloaded or hedged almost all his tech stocks, publicly calling them overpriced, shortly before they began to slide. Cuban's investment in HDTV is forcing the technology and the business to be taken more seriously.

Richard Doherty, who analyzes digital-technology trends for the Envisioneering Group in Seaford, N.Y., observes, "Now that Cuban is clearly in the tech and marketing lead, the broadcasters are taking notice. He's been more effective in the last seven months than companies 100 times his size have been in the last seven years." Cuban's efforts got a big boost two weeks ago, when Federal Communications Commission Chairman Michael Powell pressed the TV industry to roll out HDTV more quickly.

Cuban, 43, can afford to travel the world or just hang out with his players on the customized \$46 million Boeing 757 he bought for the Mavericks. Instead, he has taken on another business challenge--a daunting one--with HDTV. Of 100 million U.S. households with TVs, only 2 million have high-definition sets, most of them used for playing movies on DVD, according to Cahners In-Stat Group research. Neither Cuban nor DirecTV will say how many of the company's 10.7 million satellite-TV subscribers have the special set-top boxes required to receive the high-definition signal and tune in to HDNet. But most industry analysts estimate the present audience at a mere 100,000.

That is changing, but slowly. The economic slump has left consumers reluctant to invest \$2,000 or more in new TV gear. Broadcasters, especially network affiliates, and cable systems have resisted HDTV, citing the costs of new equipment and lack of programming. At last month's meeting of the National Association of Broadcasters in Las Vegas, the anti-HDTV forces worried aloud about piracy of satellite-transmitted high-def movies and even questioned whether the technology would ever work. Cuban, whose technology works just fine, retorts that movie studios are running around like Chicken Little and should be more worried about capturing a market that Cahners In-Stat expects to hit 7 million to 8 million homes by 2004. The tiny audience he has today doesn't faze Cuban. "It's like saying how many people used the Internet in 1995; it's irrelevant," he argues. "So while these guys in Hollywood keep coming up with reasons not to compete, I just walk in and establish myself and get bigger and bigger."

In hopes that HDNet will soon broadcast round the clock, Cuban is on a buying spree for content. Last month he signed a deal to broadcast 80 Major League Baseball games this season. He has laid expensive high-def cable in 40 stadiums. He helped NBC defray the costs of broadcasting the 2002 Winter Olympics in high-def so he could carry them on his network. He is shopping in Hollywood for 35-mm movies to be converted to high def. A kids' show is in the works. He even sent veteran war correspondent Peter Arnett to Afghanistan to report a seven-part series, providing the most disturbingly real pictures yet from the war zone--in jarring contrast to the main networks' blurry satellite-phone feeds. Cuban says he would have "no problem" spending \$100 million of his \$1.9 billion net worth to make HDNet a success. "It's not a question of if HDTV will make it, but when," he says. "It's a question of, Can I get to the economics before I run out of money? The answer is yes."

Cuban has usually managed to get to the economics ever since his boyhood

in Mount Lebanon, Pa., a Pittsburgh suburb, where his father was a car upholsterer. An avid basketball player, Cuban wanted a fancy pair of Puma sneakers, but his dad wouldn't pay. So Cuban, then 12, sold garbage bags door to door to raise the cash. He was a box boy at the local grocer and worked the meat slicer at a deli and at the canteen at a summer camp. To pay his way through Indiana University, he gave disco-dancing lessons, rented the Bloomington National Guard Armory for dances and bought and ran a bar. He earned his junior-year expenses with a chain letter.

In the '80s, when computer users were still carrying floppy discs from machine to machine, Cuban bet on computer networking and founded a company called MicroSolutions in Dallas. At 31, he sold out to CompuServe for his first million bucks in 1990. In the late '90s, he started streaming radio broadcasts of Indiana basketball games live on the Internet--at first for just five friends. People laughed about the kid who turned \$3,000 computers into \$5 radios, but he and an Indiana buddy, Todd Wagner, turned Broadcast.com into a multimedia company and made 300 of their 330 employees millionaires.

Not all of them cashed out as cleanly as Cuban (who bought apartments in New York, Los Angeles and Miami as well as a \$41 million Gulfstream jet). For the past two years, Cuban has lectured about the perils of stocks. "Don't trust the stock market. It's a scam. Enron proved that," says Cuban. "Today the stock market is closer to a Ponzi scheme than an investor's paradise." He takes a breath and asks, "Do I sound crazy?"

Cuban is perhaps best known as the wild-eyed team owner who keeps lambasting basketball referees and getting fined. In January the NBA assessed Cuban the largest fine in its history--\$500,000--for saying of the head of NBA officiating: "I wouldn't hire him to manage a Dairy Queen." Challenged by the company to manage a DQ for a day, Cuban gamely showed up at 6 a.m. to learn how to curl soft ice cream, then hustled to serve the 1,000 fans in line. Cuban briefly recruited basketball bad boy Dennis Rodman, inviting him to live in the guesthouse of the \$15 million Cuban mansion. Rodman didn't last, either at the mansion or with the Mavericks, but Cuban calls the courtship an "experiment" worth trying.

These antics would not seem to recommend Cuban as a boss or business partner. But people who work with him seem mostly bemused by Mad Mark. He doesn't keep office hours. He constantly fires off ideas and instructions by e-mail--one passing along a fan's complaint about the hot dogs at Mavs games, the next negotiating an expansion of HDNet. Says Terdema Ussery, CEO of the Mavericks and HDNet: "When he first came, Mark used to say people have to decide if they can stay on this train because it moves very fast." Phil Garvin, COO of HDNet, says he enjoys working for Cuban because "he never fails to take the risky course." Stephanie Campbell, senior vice president for programming at DirecTV, came away respecting Cuban after negotiating the HDNet deal. "If there's a bit of hyperbole there, it's healthy," she says. "Mark is one of the most interesting people I've met--and you can trust him to do what he says."

When Cuban bought the money-losing Mavericks and an interest in the team's new arena for an NBA record price of \$280 million two years ago, he was ridiculed for paying too much and trying to "buy" a championship with player perks. At the American Airlines Center, each player's locker is outfitted with a flat-screen TV, DVD player, vcr and stereo receiver. Cuban's embellishments to the arena, including a private underground court for pregame practices, added \$2.5 million to construction costs. Aboard the team's 757, there is a weight room and a medical facility. Most teams have a head coach and two assistants. The Mavericks have 12 assistants, most of whom work at nurturing young talent. "Professional basketball players are no different from everyone else. They look for reasons to stay in bed and hit the snooze button," says Cuban. "I've got a \$50 million annual payroll. I'd be a moron if I didn't protect it."

The payoff has come quickly. After the longest dry spell in NBA play-off history, the Mavs are in the championship running for the second year in a row. The team's revenue is a closely guarded secret, but Cuban and his lieutenants claim that it has doubled in two years, and the Mavs have sold out 30 straight home games.

The Mavs have the broadest international following of any NBA team. Cuban signed the NBA's first Chinese player, 7-ft. 1-in. center Wang Zhizhi, and the first French player, Tariq Abdul-Wahad, as well as Canadian Steve Nash and Mexican Eduardo Najera. Fans across the world tuned into the first webcast of an NBA game last April and can get game previews at dallasmavericks.com in four languages: English, Spanish, German and Mandarin Chinese. Three times as many people click on the Chinese section as on the English one.

Former NBA star Bill Walton, now an NBC sports analyst, says that for all the attention Cuban receives for barking at refs, "the suggestions he makes have spurred the NBA to move in a better direction in television, marketing, ticket pricing. He's in the forefront." And while NBA commissioner David Stern has levied huge fines against Cuban, Stern says, "we've had open and good discussions about refereeing." He adds, "Mark very presciently focused on the whole issue of audiocasting on the Internet, and it would not surprise me if his HDTV venture wasn't equally prescient."

Cuban scoffs at the idea that he has done anything innovative. "I've brought a sales focus," he says, shrugging. Cuban has even done radio promotions for a weight-reduction system and a local tanning parlor to help close a deal for ads on broadcasts of Mavericks games. Cuban threatens to fire anyone on his sales team who boasts of the Mavs' winning record, arguing that NBA basketball is not about winning so much as entertainment. That includes the usual dancers in skimpy outfits, kids competing in free-throw contests and goofy advertiser promotions during time-outs--all backed by throbbing music, often suggested by the boss. He plans to install a wireless network so fans can bring their laptops and download images and stats during the game--or perhaps just instant-message the cute guy in Row 9.

Cuban attends most games, and fans pester him for autographs. At the Mavs'

main office, Cuban works at a desk clearly visible to customers by the front door. He posts his e-mail address (mark.cuban@ [dallasmavs.com](mailto:mark.cuban@dallasmavs.com)) on the scoreboard and answers complaints immediately.

When Cuban bought the team two years ago, he called FoxSports Network president Robert Thompson seeking to broadcast Mavs games in high definition. Thompson was dumb struck. "I said why would I want to do that?" At the time, there were no trucks for HD transmission, no distribution channels, and the costs were off the charts. "But he did pique my interest."

Thompson introduced Cuban to a Fox production specialist, Phil Garvin, who helped him solve the technical and financial obstacles to HDTV broadcasting. "With regular TV, you pull a truck up to a stadium, hook up to existing cables from every camera to the truck outside and transmit," he says. "But there were no cables for high def, and the setup was expensive." Sony had to create a new cable system for the five HD cameras needed for each game. By piggybacking on FoxSports' regular NHL broadcasts and using its graphics and audio, Garvin and Cuban got the network running in 15 months.

In exchange for their help, Fox and DirecTV got options worth as much as 20% of Cuban's new network. For Thompson at Fox, HDNet is a handy "laboratory" to see how high def works, technically and economically. "If you've seen high def, you know it's gorgeous," says Thompson. "But I was skeptical of the financial model. They need to go well beyond 100,000 homes." Cuban says his customer base through DirecTV is growing 10% to 15% a month, and he's working the retail angle hard--getting 1,000 outlets such as those of Circuit City to play HDNet in stores.

Meanwhile, the price of digital TVs and set-top boxes is dropping fast. A 50-in. high-def TV set that cost \$8,000 two years ago is now \$1,800 and could drop further by Christmas. Prices of the set-top decoders necessary for high-def reception are falling too, to \$250 from \$750 in 2000. (Samsung, Zenith and Sony are making TVs with built-in high-def tuners.) The Consumer Electronics Association says February shipments of such digital-TV products were up 83% over the same month last year, largely in anticipation of NBC's Olympics broadcast and HDNet's NCAA March Madness.

By year's end every commercial TV station is supposed to be broadcasting digitally, with all analog transmissions to cease by 2006. But with more than half the nation's stations seeking delays, FCC chairman Michael Powell this month went on the offensive (right before a critical broadcasters' meeting), urging networks, broadcasters and equipment makers to rush digital-TV offerings to consumers by 2003. "I agree with Cuban that HDTV is inevitable, but it will take 10 years," predicts Gerry Kaufhold, In-Stat's principal analyst for digital TV. The savings of all-digital production will win out, especially because such influential directors as George Lucas have vowed to dump film. "By September 2003, most TV programs will be produced in HDTV, so sales of set-top boxes should kick into gear. By 2008, more than half of new sets sold will be high def," says Kaufhold.

Networks and cable channels are moving cautiously ahead. CBS, the HD leader, records almost all its prime-time shows in high def, and ABC about half. NBC lags far behind. Entrepreneur Paul Allen has his own high-def channel, ASCN, based in Portland, Ore. HBO (owned by TIME's parent company AOL Time Warner) and Showtime provide high-def programming to satellite-TV subscribers.

Now that HDNet is on satellite, Cuban is hoping to hawk his network to cable companies, which reach two-thirds of the nation's viewers. Cox Cable announced in March that it would start delivering high-def shows from the major networks. Comcast launched HDTV last November, while Time Warner Cable offers it in 42 markets, from New York City to Houston.

Garvin, a TV producer for nearly 30 years, is amazed at the turnaround on HDTV. "A year ago, we were way out front. No one else was at the table. Suddenly, in the past month, cable operators, the Comcasts, the AOLs, Charter have all decided it's time to get high def into homes," he says. "It's starting to look like Mark may have hit another home run."

Home run? That's not the right metaphor for Cuban, who at 6 ft. 2 in. is about the size of a smallish NBA guard. He would probably prefer to think of himself as launching a shot from outside the three-point circle and hitting nothing but net.

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