

Interview Tom Freston

Carsey-Wolf Center at UC Santa Barbara

21-27 minutes

In August 2011, Tom Freston, former President of Viacom and current Principal of Firefly3, sat down with MIP for an interview. In the below excerpts, Freston reflects on the early days of MTV and how the network's sensibility fit within a major media conglomerate. He also discusses his current involvement in Afghanistan's nascent television industry.

Tom Freston is a Principal of Firefly3, an investment and consultancy firm focusing on the media and entertainment industries. He is the former Chief Executive Officer of Viacom Inc., where he also served as Chief Operating Officer. For seventeen years, Mr. Freston was Chairman and Chief Executive Officer of MTV Networks (including MTV, Nickelodeon, VH1, Comedy Central, and other networks). Prior to that, Mr. Freston ran a textile business in Afghanistan and India called Hindu Kush. Currently, he is Chairman of the ONE Campaign, an advocacy organization for global poverty issues, and serves as a board member and advisor for Afghan media company the Moby Group.

MTV

Tuesday, August 9, 2011

MIP: Talk to us about some of the challenges you faced in the early days of MTV.

TOM FRESTON: Our biggest challenge was selling it. It's hard to fathom now, but at the time, MTV was the classic definition of innovation: a couple of things that already existed put together in a completely novel way. No one believed anyone was going to watch music on television. And because the distribution landscape was controlled by a bunch of older white guys who started out in rural areas before becoming independent cable operators, there was an even greater reluctance to give any space on the cable system to rock 'n' roll and pop music.

Channel capacity also was an issue. In those days, 12-channel or 25-channel systems were most common. If you had a 35-channel system, that was gold. No one wanted to give up a channel to an unproven network that was asking for 10 cents per subscriber.

Advertisers kept telling us, "You don't even have distribution yet and I can't imagine people will watch the channel when you do." The record industry was reluctant to provide us with music videos on our terms, which was free in exchange for the promotional value the videos provided.

We struggled to get distribution. We struggled to get money. We struggled to secure advertising. We struggled to get videos. Everyone told us, "There is no way you're going to create a viable business from a cable network no one will watch." But we also were part of a new wave of television programming. Our

friends at CNN, ESPN, USA, and other places were trying to do similar things, and together, we ended up creating a new category of television. There's something to be said for that.

When did you first realize you had something special?

My job as the marketing guy was to go to these markets after they picked us up and talk up the channel by visiting local radio stations and record stores. I spent a lot of time in the Midwest. Tulsa, Des Moines; never New York or California.

I remember a trip to Tulsa. My colleague and I were renting a car when the girl behind the counter pointed at his MTV button and said, "Wow, you're with MTV? Where did you get that?" MTV had been on the air for little more than a month in Tulsa and they were already transfixed by it. It was unbelievable.

At the time, we only had videos from bands no one had heard of, like Duran Duran and the Buggles. None of the superstars, other than Rod Stewart, really had any. Yet, these kids were eating it up. It allowed us to make the case to the music industry that we could sell records and break acts. Yet, the cable operators still stymied us. We still struggled to get distribution!

In the end, all this led to the "I Want My MTV" campaign. We knew we had an avid fan base out there that had heard about us, that wanted us. So, we went around our distributors. We knew involving folks like Mick Jagger, David Bowie, the Police, and Pete Townsend would legitimize and validate us. We rolled the campaign out across the country. We'd purchase massive amounts of television advertising, and usually after 10 days the cable system would call and surrender: "Okay, we'll take you."

We kept it up for a couple of years – between 1982 and 1984 – and we earned about 1.5 million subscribers per month.

What about the early MTV logos? They were animated. They were different. They were always so powerful.

Well, let me tell you a funny story about that. When we started MTV, we didn't have any money. We went out to get a logo and we went to the normal logo people who always want a fortune, and we ended up going to this company in downtown New York called Manhattan Design. They did the MTV logo for \$1000. Their genius was the idea to do different stuff inside the logo. So we went to show it to our ad agency that had been picked by Warner, and the design director, whose name I won't mention, sees it and says, “You know, this is bullshit, man. This is the worst thing I have ever seen. I have been doing this stuff for 30 years. Look at the CBS logo. It has to be the same thing – clear and consistent.” He says, “It looks like you have a cinder block company here. You don't get it. A logo has to be consistent. It has to be consistent!” And this guy who was the real genius behind MTV – his name is Fred Seibert – he said, “No, our consistency is going to be our inconsistency.

We really had fun with that. Twenty years later, I was at the valet at the Four Seasons, and I see the guy who was so against the logo design. He's now running something on the West Coast. He looks at me, and says, “I know. I know.” [Laughter] Back then, he had called the president of the company and told him, “These kids are going to ruin your business. I'm telling you they are making a huge mistake. I don't want to even be associated with this.” The president backed us and fired the agency.

We had no money. We needed something noticeable, so we said, "Let's rip off mans' greatest moments. Let's get the public footage from the moon landing and let's put our logo on the American flag and let's just say we own this." We felt like it was a very rock 'n' roll, weaselly thing to do. It would make a good image for us. But all these things cost us nothing and it was all done with a very conscious sense of being unconventional and breaking the rules.

Can you talk about public service for a moment? It almost seems laughable in the current environment, but your company actually took it very seriously. MTV has a legendary reputation for confronting social issues, like voting and AIDS. Do you think media companies have an obligation to launch such campaigns?

Obviously, in the broadcast arena, you are using the public airwaves so you have to give something back. That was part of the quid pro quo. Cable satellite networks are a private entity so there is no obligation to do that. But, we felt it was an image-enhancer for us. We were largely targeting younger viewers. We were big fans of trying to understand our audiences. There were a lot of social concerns out there, and we thought that if we were to embrace things in a smart and creative way, it would reflect well on the network.

Sure, there was a desire to do good things. But we also knew that if we did it in a smart way, it would put more value into our brand. I would tell my network heads each year, "You need a unified, yearlong social platform." Nickelodeon, for example, did a push for volunteerism, which we knew would tap into a desire

among young people and their parents.

We actually were able to do those types of things and make money at them, and it also increased the brand value.

Live Aid was a bit different because that opportunity came to us. These guys said, “Hey, we are putting together this concert and we think it's going to be pretty good but no one is going to run it. Maybe you can run it.”

We said, “We have nothing to do; we are playing music videos all day. Bring it on.” It turned out to be an explosive moment for us because we had the tiger by the tail. It was the hottest thing in the world. We had it on for the whole day both in England and in the States. We suspended all our advertising for the initial broadcast and then played it a couple more times with ads. But what it did for both our brand and awareness? It was terrific.

The “Choose or Lose” campaign emerged because we decided to branch out beyond music into fashion, comedy, and so forth. We knew there had been very low voter turnouts between 18- and 24-year-olds. We thought, Let's try and get into the world of politics. Let's be a player in this campaign that's coming up in 1992. So, I hired a couple of consultants who knew the Washington world, both Democrats and Republicans. We figured out “Choose or Lose,” and it brought us to a whole new level. Advertisers who had never wanted to touch us because we were a little too edgy for them wanted time on the network. It helped mainstream us in a way, and then we were getting President Bush and [then-presidential candidate] Bill Clinton on the air.

If you are just going to run PSAs, it doesn't mean a damn. Everyone does that. I don't know if a lot of media companies do today. I don't follow if they engage in campaigns on the same level we used to. But when we did them, it not only made people in the company feel good, it also made sound business sense. We weren't crass about it, but it was wonderful for our brand.

What was it like to bring this sensibility into a major media conglomerate, especially during the '90s when the Time Warner merger redefined what a media company looked like?

I wasn't ever a big fan of the media conglomerate. I didn't think that being big was necessarily synonymous with being creative. And I think there is a lot of myth to the stories about synergies and economies of scale. I wanted MTV Networks to have the self-image of a 'creativity first' organization. So as we became a bigger business and as we were taking more money off the table and there were bigger financial expectations, I would never speak to the employees about how much money we were making. We would never talk about. They would know what their budgets were, but we tried to keep from them – because it was a very creative culture – any ideas of what was really going on in the business because with the continuing increase in penetration, there was a lot of wind at our back to grow almost naturally.

Most of the other people in the conglomerate were from another world. They were used to the older, legacy businesses of the film studio and syndication. They were used to dealing in the Hollywood world of agents and high budgets. We were just

frisky; we were the worst dressed group of people in New York City when we came to work, and we were going to play by our own rules. We tried to preserve the fact that it was a cool place to work. It was a creative place. It wasn't like some money-grubbing conglomerate operation. But it became increasingly difficult over time to hide our success. We went from making \$5 million a year in 1986 to \$3.5 billion in 2006. It was a nice ride, but increasingly hard to insulate ourselves from the conglomerate story.

You were the head of MTV Networks during a period of time when Viacom buys Paramount (in 1994), Blockbuster (in 1995), and CBS (in 1999). You say you were trying to create a firewall between your creative troops and the conglomerate enthusiasm for synergy. That must have been extremely difficult.

It was hard. But I'll say this: All those acquisitions were a mistake. Blockbuster did nothing for the company. CBS was a disaster at first with their big radio division. Paramount was a low-margin, capital-intensive business. It's nice. It's fun. It's sexy. Everybody wants to work in the film business. But it's a crappy business. It's only become crappier. Then, they'd try to force us to make movies with Paramount when, in fact, we could have had better opportunities to make movies with other studios. It just didn't make any sense. I get it. If you're a really big company with lots of pieces, no one is going to mess with you. It makes for a good defensive posture. There's probably some truth to that. Yet, there are other ways to deal with people. Rather than the biggest company, why not be the smartest?

Maybe it was some form of megalomania. How big can we be? How many tests can we beat? How many platforms can we sell to advertisers? I've got CBS; I've got Inifinity Radio; I've got a film studio. I'm the biggest guy in the room. I've got more GRP's [gross rating points] to sell to everybody. I mean, advertisers don't buy that way. It's very difficult running a company that way. I never saw any synergy of any significance. I've always been against it. But it was the thing everybody else was doing so we better do it too. At least, that's what the investment bankers thought. And that was the desire of people like Sumner Redstone. They were empire builders. They were going to build big things. It sounded kind of sexy. Mel Karmazin [then-CEO of CBS] was a hell of a salesman. But you know, I once met an investment banker – that must have been in 2004 or 5 – and he said, "You know, we did an analysis. We looked at all these media mergers and none of them really created a lot of incremental value." He said, "If MTV Networks had stayed basically as an independent company, the stock would be at, like, 175 as opposed to whatever it is now. I mean, the market cap would be significant. You would be able to move ahead with an untrammelled vision.

Do you think media conglomeration has had a negative effect over time on creativity and innovation?

I'm in the minority, but I do. Radio is an excellent example. If you were a student at UCSB when we started MTV, and you wanted to get into media, a job at a radio station in Santa Barbara or L.A. would be a really cool gig. It would be creative. It would be fun.

When Clear Channel and Infinity rolled up all these stations into one and started programming by computer, all the smart kids who were there left. They said, "This just isn't for me anymore. Everything is being mandated by some corporate entity." Music was homogenized. There was no soul. They went to work somewhere else.

There used to be between 40 and 50 major record companies. Now we have maybe three. Some of the older companies are just logos now. The business isn't interesting anymore. Film is worse. Studios only are interested in big movies like *Transformers* that have huge licensing and merchandising potential. Any movies that would be interesting, like the great movies of the '70s or '80s, are not going to get made anymore. If they are, they are going to be really cheap. How can we argue conglomeration serves creativity?

Afghanistan

Tuesday, August 9, 2011

MIP: How did you become involved with Tolo TV?

TOM FRESTON: In 2005, when I was still with Viacom, an American Iranian woman named Sarah Takesh, who had been in Afghanistan, tracked me down in New York. She asked me out to brunch. She started a clothing business in Afghanistan and somehow found out I had done something similar in the '70s. I agreed to meet her. I had been following things in Afghanistan ever since leaving but had never returned for a visit. I was enthralled with all the stories she told me of what it was

like in Afghanistan now. There was a sense of optimism about the future. I told her about my experiences in the old days. It was a great conversation.

In the end, I said, “You’ve really piqued my interest. I’ve got to come over there.” She said, “Yes! Come over. And I’ll introduce you to my boyfriend [Saad Mohseni].” He’s like the Rupert Murdoch of Afghanistan. I say, “I’d love to meet him. Send me an email.” Saad has now become one of my closest friends.

At first, I tried to help him out in the early days of [the reality show] *Afghan Star*. I pointed him to some people and introduced him to others. He kept saying, “Come to Kabul.” Once I got fired, I had the time.

I returned for the first time in 2007. It was great! I went into [Tolo TV](#) and I just couldn't believe it. It was fascinating. Here you have a country that didn't even have television and somehow they had managed to get a bunch of 20-year-old boys and girls working together in a modern company. It was unheard of in Afghanistan. They didn't know anything, and they were teaching themselves – just like we did at MTV in the '80s.

When Saad visited the States, I would bring him around and introduce him to media people here, like Jon Stewart. We are going to try to do a *Daily Show* in Afghanistan. I helped him with this, that, and the other thing. Then, I joined the board of the company. I’m engaged as a spirited observer. I introduced him to Murdoch and they did the Farsi1 TV deal. Now, I’m very involved in Afghan media. Who knew? It’s serendipity to have come full circle back to Afghanistan.

What do you do as a board member?

I'll go over there for a few weeks and help them out with production stuff as a consultant. I get such a kick out of it. It's an amazing opportunity to see the impact television can have on society. Both television and the cellphone are huge, undiscovered success stories in Afghanistan. These basic technologies have made a major difference there, and it's just so exciting to see.

They don't have any independent production companies in Afghanistan so there is nobody making shows for them. So, just like we did at MTV, they started making their own products. Now they are doing scripted shows and bringing in Americans and Australians to help teach them how to write scripts, light sets, everything!

They have a show called *Eagle Four* that is similar to [the American series] *24*. The characters are dressed up like super cops. They go after suicide bombers and terrorists, the bad guys. It is hugely popular. They've done such a good job of it. There is no acting tradition there to draw from anymore so one of the leads is a guy who runs a hotel in Jalalabad. The actors are so popular and the people are so starving for entertainment that when they appear on the streets to go shopping they are mobbed. So, now they wear their uniforms from the show when they go out in the market. They are like rock stars. It's amazing.

Where does the hardware originate? Do they have factories?

The TVs come from China. They just bring them over the border

in truckloads and often they hook them up to car batteries. You can get black-and-white or color TV for seventy-five bucks. People have them in their homes and they'll use generators or car batteries to run them, or they will have them in teahouses and restaurants. People are transfixed by television. It's one of the only things in this broken-down, corrupt society that they have to enjoy.

One of the big successes has been soap operas. They've got this Indian soap opera and it was hugely popular and dubbed into Farsi. But it was controversial for the Islamists. They didn't even refer to the characters as Hindus but rather idol worshipers! So, they demanded the show be taken off the air. But people wouldn't stand for it going away. They ended up blurring pictures of Hindu deities or some woman's exposed arm, but they left the soap on the air. It had such a strong connection with audiences. And seeing stories from other parts of the world and connecting to other cultures through these universal narratives – it's a wonderful, powerful thing.

What role has the government agency USAID played in developing the region's media infrastructure? Do they have a strategy?

Yes, very much so, and it's the smartest strategy that U.S. has implemented in Afghanistan and some other countries. It's all about hearts and minds. You are not going to kill your way out of this. It's about how you acclimatize these people to the rest of the world.

Saad got \$400,000 from USAID and they started a radio and TV

station. It's probably the best \$400,000 ever spent by the U.S. government. It helped start Tolo TV. It helped launch a few other private networks. And now their constitution has a provision for free and independent media.

Afghanistan has this little robust media industry developing there. They could use more advertisers but funds from the U.S. really help right now. Those funds underwrote part of *Eagle Four*. It was a good idea. Saad has a pretty good relationship with U.S. General Petraeus, for example. At one point, Saad said to him, "You know, people in Afghanistan hold the armed forces and the police in such low esteem. Wouldn't it be a good idea to make a series about them and their exploits and the U.S. could make available its helicopters and the military hardware?" They have so little money to invest in each episode. This is a great example of collaboration.

So, they now have a series about Afghan recruits fighting the bad guys, and winning, and the Afghan people are going see this and feel better about their country and security.

Remember, this is a broken society, recovering from more than 30+ years of war. There's an 80 percent illiteracy rate. There is high unemployment. There is little happening. One of the reasons Afghanistan has suffered so much is because it's been closed off from the outside world. They don't really know what's going on in other parts of their own country, never mind India or Iran, because there has been no media. All of a sudden now they've got a window to the world through some imported shows. They see things. They learn things. It's so powerful.

Of course, folks can say the U.S. involvement produces some kind of propaganda machine. We are giving money so they can make certain programs. But at this stage, I would much rather see the U.S. spend a million dollars a year underwriting some entertainment program that has a good message to a rather naive and unsophisticated public than paying for one marine – which also costs a million dollars a year – to kick down people's doors and alienate them.

But the U.S. gives, and the U.S. takes away. Is there a risk the support will disappear? Are there potentially some adverse effects?

I guess there are dangers. The U.S. has funded programs about hygiene, drug abuse, all those kind of things. They put money in some of these television shows. They are funding *Sesame Street*. We know we have a certain proportion of money every year coming from the U.S. government or some European government. If these guys split, it'll create a big hole in the business. But they don't have creative control over the final product. They might say, "I don't like it. I'm not giving you any more money." So there's certainly a risk, but they don't make content decisions.

Pepsi is about to enter the market so now Coke has some competition. It'll make them both spend more as they battle for consumers. Hopefully, as the consumer economy begins to develop, the money will be missed less when it goes away. And it will go away.