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RUPERT'S BIGTIME TV GAMBLE

Does America really need another
business network? From **FOX NEWS?**

We Report. You Decide. (PAGE 104)

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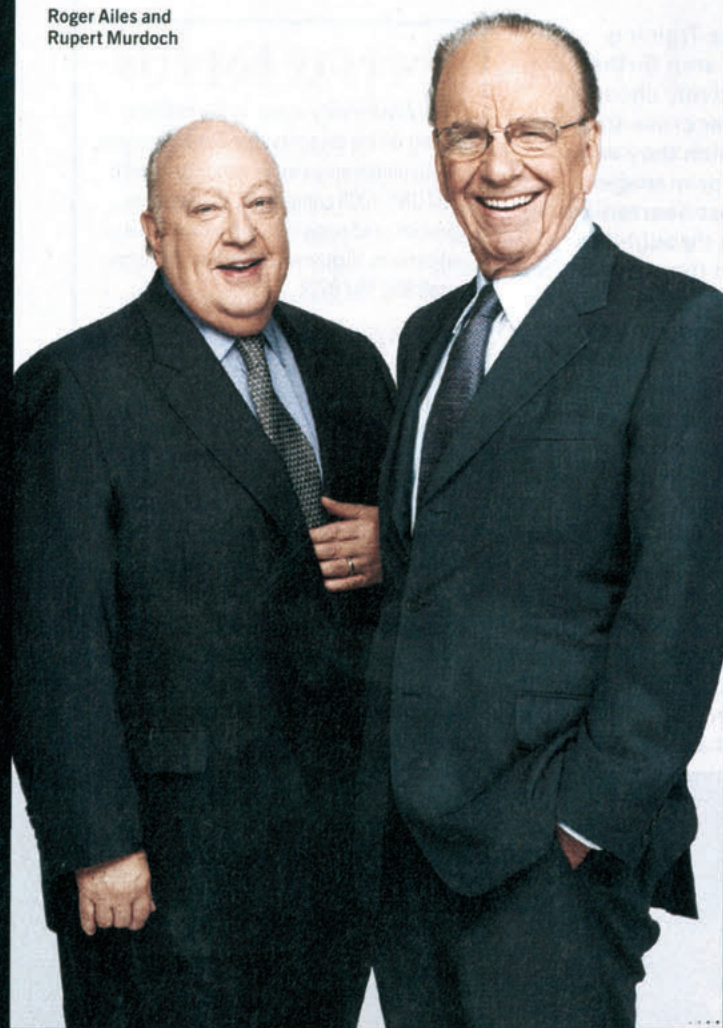


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DISPLAY UNTIL NOVEMBER 5, 2007

TEAM MURDOCH FROM LEFT:
NEIL CAVUTO, ALEXIS GLICK,
RUPERT MURDOCH, ROGER AILES

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Roger Ailes and
Rupert Murdoch



Alexis Glick
and Neil Cavuto



Dagen McDowell and
Stuart Varney



Cheryl Casone, Peter Barnes,
and Jenna Lee



INSIDE FOX BUSINESS NEWS

Fresh from snapping up the *Wall Street Journal*, Rupert Murdoch sees FBN as the first step in his strategy to dominate global financial journalism. FORTUNE takes an exclusive behind-the-scenes look at his plan to bring Wall Street to Main Street. **BY TIM ARANGO**

Bear while the cameras roll. "I throw \$2 in every time I say something like 'basis point,'" he says, explaining the channel's anti-jargon, anti-Wall Street vibe.

Welcome to business news Fox-style, a predictably slick yet populist take that has not only CNBC running scared, but pretty much any company whose livelihood depends on the gathering and disseminating of financial information. The reason is that Fox Business, whose planning fell to Roger Ailes, the television genius who took Fox News from laughingstock to top-rated cable news network, is more than a challenge to just CNBC's monopoly here in the U.S.: It is the first brick in Rupert Murdoch's attempt to build a global business information Goliath.

Fox Business is launching as another key piece in this strategy, the *Wall Street Journal*, is entering the News Corp. fold. The \$5 billion acquisition of Dow Jones by News Corp., which was announced Aug. 1, should be a *fait accompli* by November or December (if the perfunctory shareholder votes and regulatory approval go as planned). Add the *Wall Street Journal* to Murdoch's

"I USED TO HAVE A BLOOMBERG MACHINE," SAYS MURDOCH. "I FOUND IT HYPNOTIC AND THREW IT OUT."

\$72 billion media conglomerate—which spans the globe from Hollywood's 20th Century Fox to the Asian satellite service Star and its European version, Sky—and it is easy to see how Willard and Gomez's barroom banter are the first steps toward an empire that could one day beam a Fox Business channel into China via Star or launch local channels in India and Eastern Europe. It is likely that will happen gradually over the next few years. "There have been inquiries but no negotiations

yet," Murdoch told FORTUNE in a recent interview in his eighth-floor office at News Corp.'s Manhattan headquarters.

Murdoch believes that the time is now to launch a global business channel, as emerging markets are minting new investors and entrepreneurs every day. He wants to be the go-to programmer for these new capitalists. "There's this constant growth of wealth," he says. "You have 100 million people joining the world economy every year. This is the biggest development in the history of the planet almost—the speed at which this is happening. And while there certainly will be bumps, it's going to go on for another 30 years. Living standards everywhere are going to be better."

But first Fox Business has to play in Peoria. "I'm looking for a wider audience, more people in business and on Main Street," Murdoch says, "more than people who are just watching the market all the time. It will be a real business channel—a real aspirational channel, if you will." By that he means programming geared toward the small-business owner and entrepreneur as well as the average consumer fretting over his mortgage or 401(k). And Murdoch's nothing if not ambitious: He expects to spend \$300 million over the next three years to make Fox Business profitable. By that time he hopes the network will have topped CNBC in the ratings.

Fox Business will launch in about 30 million homes (about a third of CNBC's reach). But with CNBC's ratings down significantly from the dot-com boom—when its programming was like crack for day traders—it's hardly a guarantee that so-called Main Street has an appetite for populist-tinged business news.

Nevertheless, that is the direction the channel is going. Fox Business's programming day will begin at 5 A.M. with *Fox Business Morning*, featuring live reporting from London. From 6 A.M. to 10 A.M., Fox will broadcast *Money for Breakfast*, hosted by Alexis Glick, a former host on NBC's *Today Show* who also has an executive role at FBN as vice president of business news. The rest of the trading day is under the rubric Fox Business Live and will feature anchors and reporters covering the day's business news populist-style. At 5 P.M. is *Happy Hour* at the Bull & Bear, followed by the network's signature show, *Cavuto*, which will be a recap of the day. (Cavuto will also maintain his on-air duties at the Fox News Channel.) Among the guests the channel



MISSION CONTROL Fox News executive vice president Kevin Magee, flanked by Steve Goodman and Diane Kay of *The Dave Ramsey Show* on FBN

has lined up for its first week are eBay CEO Meg Whitman, New York Stock Exchange CEO John Thain, the oil tycoon T. Boone Pickens, and the former pro golfer turned entrepreneur Greg Norman.

Fox recently made a high-profile move by hiring former Hewlett-Packard chairman and CEO Carly Fiorina as a paid contributor. "I think there's a huge hunger for more understanding and access to the markets, business, and economic issues," she told FORTUNE. "I've seen that from the reception of my book [*Tough Choices: A Memoir*]. While the public may not understand all aspects of business, they know the economy is the driver of our way of life and the foundation of our power."

Murdoch and his team may be onto something. "It would be so cool if we could have a channel that was more geared toward the individual," says Lynn Ostrom, who runs the Crow River investment club in Minneapolis. Its 13 members meet once a month in her living room to discuss stocks. "There isn't anything. Everybody out here in Main Street knows [CNBC's morning show] *Squawk Box* is all hype, but it is the only thing we have." Instead, her group, which includes a landscaper, two nurses, a carpenter, and a retired insurance underwriter, tends to ignore CNBC and use websites like stockcentral.com and manifestinvesting.com for stock tips.

"BY 'BUSINESS-FRIENDLY,' WHAT WE MEAN IS WE DON'T FEEL GUILTY ABOUT GETTING RICH," SAYS ROGER AILES.

Finding an audience is one challenge. Connecting with advertisers is another. With Fox Business, advertisers are mainly taking a wait-and-see approach. "Once we know the programming, we'll be better able to determine potential demand," says Gibbs Haljun, a managing partner of Mediaedge:cia, a division of advertising giant WPP. "There are certain types of advertisers that look for business programming, whether it is B2B or even a corporate-messaging standpoint."

In a PowerPoint presentation being shown to potential advertisers, Fox Business touts the success of the Fox News Channel and stresses the initial skepticism toward that network when it was launched in 1996. The sales pitch also notes that

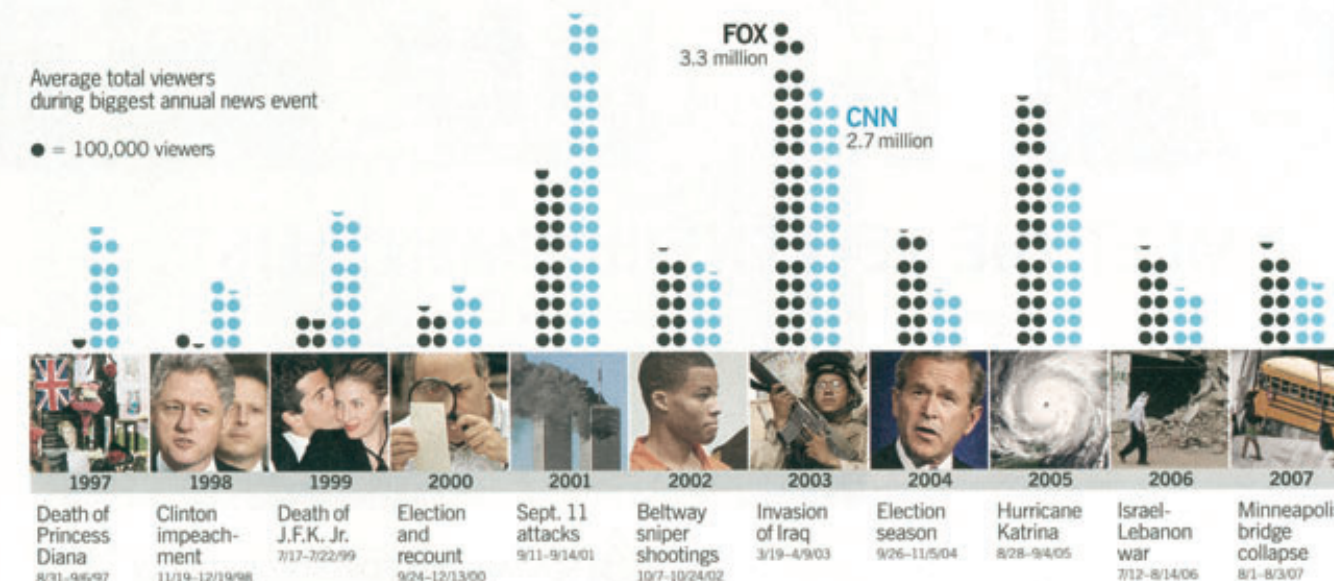
Fox News already has the top five business news shows on cable—programs like *Bulls & Bears*, *Cavuto on Business*, and *Cashin In*, which all bring in more viewers than any show on CNBC. For example, in the third quarter Fox News' Saturday morning show *Bulls & Bears* averaged 833,000 viewers, according to Nielsen. CNBC's highest-rated program in the third quarter was the game show *Deal or No Deal*, an NBC program that CNBC replays in the evening, which averaged 415,000 viewers.

CNBC is no weakling, though. In the third quarter of 2007 its ratings were up 32% from the prior year during the business day. And it is wildly lucrative for its owner, General Electric: Advertisers pay to reach the network's educated and wealthy audience, and the channel brings in roughly \$250 million a year in advertising revenue. But that's not the whole story: Cable companies pay CNBC roughly 30 cents per subscriber per month. (FBN, by contrast, will initially receive 12 cents to 15 cents per subscriber.) With 90 million homes, that brings in an additional \$324 million a year in revenue from carriage fees for CNBC.

When Murdoch looks at the competition, he sees plenty of opportunity and views himself as the prototypical Fox Business viewer. He claims not to watch CNBC. "It's something you have on and you have the sound muted," he says.

HOW FOX NEWS WENT FROM WHIPPING BOY TO BEATING CNN

In times of crisis viewers once reflexively turned to CNN. Since the invasion of Iraq, that hasn't been the case.



SOURCE: NIELSEN MEDIA RESEARCH

In contrast, he wants people to watch Fox Business with the sound on, or as Cavuto, the Fox News anchor who will bring his star power to the business channel, puts it, "What we try to do in broadcasting is provide those aha! moments and get people to talk—and hopefully watch a network with the sound up."

News Corp.'s chairman and CEO doesn't even view Bloomberg as a competitor. He praises the company's services to pros with its terminals, newswire, and TV programming, but believes he can create his own global empire serving the world's remaining business people. "I used to have a Bloomberg machine. I found it hypnotic and threw it out. I'm not saying the service isn't fantastic. But for me it was hypnotic, and I was spending too much time on it and not running the business." His daily information gathering is basic: First he reads the *New York Post's* business section, then he turns to the *Wall Street Journal*—conveniently, a paper he owns and one he will soon own. "And that's it," he says.

While Murdoch has been thinking about the global implications of launching Fox Business, creating the channel has been the responsibility of Roger Ailes, who ran CNBC before jumping to News Corp. in 1996. Three years ago he strolled into Murdoch's Manhattan office for a meeting to discuss the Fox News Channel. "Rupert said offhandedly that CNBC needs some competition," recounts Ailes. "He said, 'I think another business channel would work. What do you think?' I said, 'I think whenever there's a monopoly, like with CNN, there is an opportunity.' He said, 'Go ahead and do it.' And then he just switched to talking about the Internet."

But Ailes, who has had a colorful career that includes being an advisor to Richard Nixon and a producer of Shakespeare's plays for television, left the meeting deeply skeptical about launching a new business channel, an arena littered with failures. The erstwhile network CNN/FNN failed because it couldn't get carried on Time Warner cable—a division within its own company.

In late March 2005, *New Yorker* writer Ken Auletta hosted an 8 A.M. breakfast in which he interviewed Ailes at Manhattan's Bryant Park Grill. Murdoch had been pushing to launch the network as early as 2005. This was Ailes's moment to push back. "I keep telling Rupert, 'Quit

saying that,'" Ailes said to Auletta.

"Rupert is the eternal optimist," Ailes says now by way of putting that remark in context as he sits on a couch in his eighth-floor office, once occupied by Murdoch's son Lachlan, the former publisher of the *New York Post* who left the company in 2005. Three TVs are on in the background, including one in the lower left corner tuned to a soap opera. "They have those hot girls, but some of those guys, if I could turn them into anchors, that would be great," he says of why he leaves a monitor tuned to the soaps.

Ailes claims he was never opposed to the idea of a new business channel but just wanted to proceed slowly. "While Rupert always sees the glass as half full, I felt it was my job to present it as half empty until we were certain to get the maximum number of subscribers. I assumed since he wanted a business channel, we would eventually get there."

At that March 2005 breakfast, Ailes fretted over whether the Internet could make television business news irrelevant. "The question is, Does a business news audience really exist? Have they gone to the Internet? Are you playing to the ladies in Indiana who are investing? Are you playing to Wall Street? Are you looking at capital markets?"

When Murdoch once said that the new network would be more "business-friendly," earnest journalists everywhere shuddered, interpreting it to mean the network would be a public relations arm of corporate America. Ailes explains: "What we mean is we don't feel guilty about getting rich or being capitalists. I think many people in journalism do—or pretend they do. What I've learned about journalists is that they are all capitalists when they negotiate their own contracts and on payday. Other than that, they're suspicious of corporations, profits, capitalism, and generally democracy. We tend to be enthusiastic capitalists all the time because we refuse to be phony about it."

Murdoch, too, isn't above tweaking the sanctimonious members of the Fourth Estate who dismiss him as a bottom feeder. As some *Wall Street Journal* staffers spent the summer fretting about the impending invasion of the tabloid king, Murdoch recently visited the newsroom and had Col Allan, the colorful editor-in-chief of the *New York Post*, tag along, prompting frantic rumors that Murdoch had plans to install

STARS OF FOX BIZ

Nintendo addicts and neocons, rejoice. The on-air talent of this new business channel are just like you. —Jia Lynn Yang



DAVID ASMAN
Most recent gig:
Host of *Forbes on Fox*,
a weekend half-hour
business roundup show.
Asman has been at
Fox since 1997, when he

joined as a weekday anchor.

Fun fact: Asman has the ultimate conservative bona fides. Before joining Fox, he was an editorial editor and writer at the *Wall Street Journal*. Plus, he had a stint at the Manhattan Institute.



REBECCA GOMEZ
Most recent gig:
Business correspondent
at Fox News doing daily
market updates and
appearances over the
weekend during the Fox

business program *The Cost of Freedom*.

Fun fact: *Watchers of Lifetime* might just recognize Gomez from her onetime anchor and reporting duties at the women's cable channel.



NICOLE PETALLIDES
Most recent gig:
New to News Corp.,
Petallides was most
recently an anchor
for Bloomberg Television.
Fun fact: Petallides loves

slalom water-skiing. At 5 A.M.



DAGEN MCDOWELL
Most recent gig:
A regular face on *Your
World with Neil Cavuto*,
McDowell has been a
business correspondent
at Fox News since 2003.

Fun fact: An inveterate gamer, McDowell has two portable Nintendos.



CODY WILLARD
Most recent gig:
A principal at his own
investment management
company, C.L. Willard
Capital, and a regular
contributor to *TheStreet*.

Fun fact: In the 1990s, Willard moved to Lithuania and wrote a novel, still unpublished, titled *Sunflower*.

Allan at the *Journal*. No such thing. "I just thought that was a bit of fun," Murdoch says. Psych!

While Murdoch's optimism dueled with Ailes's skepticism about the Fox Business Channel, Beta Research published a study for cable operators that gave Fox hope that the market could accept a new channel. According to a copy of the report, the percentage of adults with a "high interest" in a Fox Business Channel was 23% in 2007, up from 16% in 2005 and 2006—not off-the-charts figures, but a start. Participants in the study were told that Fox Business analyzes "the issues and events shaping our economy and tells viewers exactly what it means to the market and their own lives."

The Internet implications also gave Ailes cold feet. "We're basically launching two channels on Oct. 15. We're launching a cable channel and an Internet channel. You can't tell me that five years from now the Internet site might not be more valuable." He may be right about the website's eventually being worth more, since advertising in this sector is booming.

One immediate challenge for Fox Business is an exclusive content-sharing agreement between Dow Jones and CNBC that runs through 2012. CNBC pays a fee—probably under \$100 million over the next five years, according to one well-placed source—for access to Dow Jones's content and reporters for on-air commentary. While News Corp. lawyers have been chewing over the deal, Murdoch told FORTUNE he expects it will run its course—meaning it could be five years before the *Journal* and Dow Jones can be fully integrated with the Fox Business Network.

But according to one source familiar with the situation, executives expect one of three scenarios to play out: The deal continues until 2012; News Corp. buys out the contract; or the *Wall Street Journal* uses wiggle room in the contract to reduce its presence on CNBC, forcing General Electric's lawyers to negotiate a settlement with News Corp. In the meantime, because of the CNBC-Dow Jones deal, Fox and Dow Jones executives are often present at CNBC programming meetings, according to one source.

That's content. On the business side Fox and Dow Jones are not waiting for the merger to close and are looking at ways to offer package deals to advertisers for the *WSJ*, Marketwatch, and Foxbusiness.com

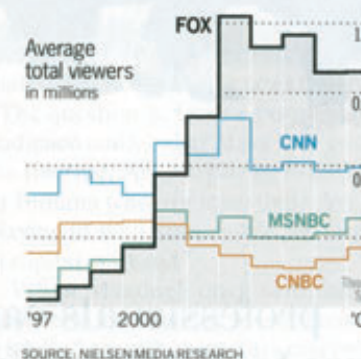
sites. And there's already a PowerPoint presentation floating around News Corp. about how FBN and Dow Jones could work together.

"Rupert has a global vision of everything," says Ailes. "It is hard for me to believe that if we have any kind of reasonably successful television and Internet strategy for business, that once the *Journal* gets integrated into that, we don't ultimately command the worldwide business market."

In January, Fox secured a deal to carry the Fox Business Network on Time Warner's cable systems, including placement on a low channel (No. 43 in the Manhattan market)—key for reaching Madison

FOX VS. CNN

Fox has become the destination of choice among cable news networks.



Avenue and Wall Street types. Where CNN/FNN failed in getting distribution, Fox succeeded because of Ailes's record of success. "It was all wrapped up in cable operators' confidence in Ailes's ability to perform and achieve," says one Fox insider who was involved in the negotiations with cable companies. But it wasn't until this June that News Corp. began spending money on the channel and hiring talent. (While reporting this story I got a call from a Fox producer asking me to come in and interview. Also, in the interest of full disclosure, I worked at the *New York Post* for four years, writing about the media business.) The network has hired roughly 300 people, a fifth of the 1,500 people employed by Fox News and foxnews.com.

Ten days before the Oct. 15 launch, it is chaos in the Fox Business street-level studio

as anchors and reporters run through dress rehearsals. The studio is busy—a table for group discussions sits atop a platform, next to a sunken circular couch. Cody Willard and Dagen McDowell, a Fox News veteran who switched to the business channel, present the day's business stories Fox-style, with production assistants pretending to be guests. The story lineup is pure Main Street: the price that ticket scalpers are charging to see teen wunderkind Hannah Montana, a recall of Cub Scout badges for potential lead poisoning, a couple in New Hampshire who threatened IRS agents when they tried to collect their taxes, oil prices and what they may mean for the average American's heating bill.

At CNBC's headquarters across the Hudson River in New Jersey, the network's president, Mark Hoffman, is not worried about McDowell and Willard's populist patter, nor is he apologetic about CNBC's obsession with the stock market. He thinks Fox Business's plan to cover personal finance is a nonstarter. (CNN/FNN tried that and failed.) "Cable works best when it is narrow and deep," he says. "We want to be popular but not populist. CNBC is focused on the markets and is for anyone who has wealth or aspires to wealth." He plans to continue airing segments from various Wall Street-area bars after the trading day. He doesn't deny copying Fox's idea but says it was hardly a novel one. "This isn't actually a breakthrough idea—interviewing people at a bar after the game," he says.

But before the CNBC vs. Fox Business matchup is over, bet on Ailes ditching his initial playbook if it falters. He's like Peyton Manning that way. "I'm going to call a lot of audibles at the line," he warns. "And that scares [CNBC] more than anything else, because I'm pretty good at calling audibles."

Back in the studio, McDowell and Willard are still working on their audibles: They move from the table to the circular couch, and the talk turns to campaign finance and the amount of money raised by Hillary Clinton. The phrase "war chest" is tossed out, and Willard says, "Those are some big chests."

McDowell responds, "Don't go there—I know what you were thinking."

With that kind of repartee, the tip jar at the Bull & Bear should stay empty. **E**

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