



INVESTING IN ENTERTAINMENT BY JULIANNE MALVEAUX

African American people have a love-hate relationship with the entertainment industry. On one hand, we over consume in the industry, watching more television and movies, buying more music, and buying more entertainment devices (televisions, radios) per capita than other communities. Too, some might argue that we **are** the entertainment industry, at least when we count sports and music. At the same time, the "r" (racism) word rears its ugly head in entertainment just as it does in every other industry, in the casting of films in Hollywood, or our rush to support Rueben or Fantasia so they aren't ill treated in American Idol. We chafe at our images in media – invisible, inferior or pathological (why the brother always got to wear a do-rag or handcuffs, why the sister so nude), or exceptional. (There always seems to be a role for the near God-like, heroic but asexual African American). Still, our comedians and artists often perpetrate the images and get the chuckles for we the stereotypes we say we don't like. We don't own much of the entertainment industry. Bob Johnson sold BET for a whole lot of bling and may be leaving the company he founded in the next year or so. After a phenomenal 35 year run, Essence Magazine sold to Time Warner. Oh, there are holdouts and startups -- Earl Graves still owns Black Enterprise, Oprah owns her studios, and Chicago's Hermine Hartman relaunched this publication just a few months ago. Still, black folks are dwarfs among giants when it comes to stomping in entertainment.

Can we use our dollars to influence our treatment in the media? Rev. Al Sharpton seems to think so. He announced in March that he plans to buy stock in record companies that produce hip-hop and to lift his voice as a stockholder. His announcement follows in the tradition of Rev. Jesse Jackson buying stock in large companies to have influence on minority business and supplier development policies, and of C. Delores Tucker's purchase of stock in Time Warner so she could protest their interest in Interscope Records, the company that specialized in gangsta rap. Stock ownership, no matter how small, entitles you to a place at the table and a voice in the proceedings. And, as Al Sharpton says, "I don't think too many CEOs want to see me come into his shareholders' meeting." When the media spotlight lands on shareholder protests, corporate leaders can get mighty uncomfortable.

Does it make sense, though, to invest in the entertainment industry for the sake of your portfolio? Forecasters caution against viewing the entertainment industry broadly. In its Global Entertainment and Media Outlook report, the PriceWaterhouse Group divides the entertainment and media industry into fourteen segments, including filmed entertainment, TV network -- broadcast and cable, TV distribution --station, cable, and satellite, recorded music, radio and out-of-home advertising, internet advertising and access spending, video games, business information, magazine publishing, newspaper publishing, consumer book publishing, educational and professional books and training, theme parks and amusement parks, and sports. From this perspective, as an investor, it makes sense to look at the segments in the industry that are thriving, those that are stagnating, and the way that technology affects the industry as a whole. Newspaper circulation, for example is dropping as more people get their news on the Internet. At the same time satellite radio listening is expanding. With that in mind, one might consider ownership of stock like XM (XMSR) or Sirius (SIRI). A key indicator of profitability in the electronic media is the extent to which advertising recovers (it was down in 2003 and 2004) and the extent of competition in the cable industry. Big media

companies that own across platforms often experience scale economies, which partly explains the Essence sale to Time Warner. Smaller, niche companies that are readily branded can also do well, which explains the successful independence of Black Enterprise Magazine.

Radio One (ROIA), the seventh largest radio company in the United States, is a publicly held company that was founded by Washington, DC's Cathy Hughes, an African American woman who got her start by owning just one radio station. The company now has 69 radio stations in 22 urban markets, part ownership of TV One, and a majority stake in Tom Joyner's Reach Media, the company has done well since it went public in 1998. It represents an opportunity for investors who want a stake in a company that sees the African American market as its primary target.

What about more hands-on investment? There's no shortage of independent filmmakers, Internet startups, and would-be magazine owners in the African American community, or playwrights looking for "angels" and there are amazing success stories that suggest that a hands-on investment in the entertainment industry might yield returns. For example, Tyler Perry provided half of the money for *Diary of a Mad Black Woman* and has earned his investment back five fold in just a few weeks. Despite the possibility that a small entertainment investment will yield big money at the back end, don't put your pension money into your cousin's small film that might be the next big thing. Understand the costs, and the risks, when you invest in an artist or product. And treat the investment like an investment – get it in writing.

In 1975, Delta Sigma Theta Sorority invested in a movie – *Countdown at Kusini* – that starred Ruby Dee and Al Freeman, Junior. The movie was a not a commercial success, but African American women took a stand about improving the way we were portrayed on the big screen and took control, if only for a moment, of our love-hate relationship with the entertainment industry. When we choose to boycott movies that offend us, or sit in on stockholders meetings because violent lyrics repulse us, we are also taking a stand about the role entertainment plays in our lives. We can also take a stand as investors and this industry, projected to grow by 6.3 percent a year for the next four years, has the possibility to be as profitable an investment as any other in our portfolio.

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