

CableFAX Daily™

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What the Industry Reads First

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Broadband Bonanza: Premium Nets' Content Focus Increasingly Web-centric

Even with economic pressures abating and pay TV subs ostensibly on firmer financial ground, premium nets' desire for distribution health is no less important. And as market movements have recently illustrated, one way they're attempting to achieve future growth is through value-added services such as comprehensive broadband offerings. Enter **HBOGO.com**, HBO's authenticated site featuring more than 600 hours of net programming that **FIOS TV** agreed to launch Thurs to its HBO subs. "One of our ongoing objectives is to enhance our value to subscribers," said HBO co-pres *Eric Kessler*. "The name of the game is retention." Tested in a few markets last year, HBO GO features approx 4x the amount of content found on **HBO On Demand** and importantly gives subs additional content-related choice and convenience. All this helps to "extend the subscriber life cycle," said Kessler, noting that HBO On Demand customers watch twice as much net content as those without access, a stat he believes bodes quite well for GO. Obviously a fan of premium nets' broadband plays is **Verizon**, who was also the 1st op to launch **Epix** and its multi-platform focus. "We see customers demanding more control over when and where they sit back and enjoy their television entertainment," said Verizon vp, consumer strategy and planning *Shawn Strickland*. "The great thing about the premiums is that they've also recognized this opportunity and have been at the forefront of the programming industry in delivering a multi-screen viewing experience." Along with the distribution flexibility it offers affils, Epix has achieved a spate of recent carriage deals in large part due to **EpixHD.com**, said CEO *Mark Greenberg*. Sure, it takes time and money to wade through the tech issues of broadband offerings such as authentication, he said, but "the value equation is all about how you can create a stickier customer and maybe even gain additional customers... the best ROI is [our creation of] a full-bodied experience for people in their homes." To this end, Epix has even added mobile capabilities to its suite of multi-platform offerings—further proof that the arms race among premium nets, which are notably devoid of ad rev, is occurring outside of the TV screen. "Our distribution strategy... is focused on creating subscriber- and affiliate-friendly initiatives," said HBO's Kessler. "The more ways we can get our subs to watch our programming, the more satisfied they'll be."

Kyle Chat: When it comes to **Google's** plans for a few trials of ultra-fast Internet (with speeds up to 1Gbps), **NCTA's** *Kyle McSarrow* is going to wait and see. After all, Google hasn't always followed through on previous announcements, he told

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C-SPAN's "Communicators" in an interview that airs Sat at 6:30pm ET. He cited Google's plans to participate in the 700MHz auction (it didn't) and a called-off launch of citywide WiFi in San Fran with **Earthlink**. McSllarrow doesn't view the tests as a competitive threat. "It's an experiment, which I think is great," he said, adding that very few PCs can handle that sort of speed today. The cable chief was quick to plug cable, saying that every cable customer has more than a 1GB of capacity available today that is being used for HSD, phone, HD, etc and that capacity could be switched to more Internet as demand builds. "From my perspective, if this experiment allows us to discover new applications at super-fast capacity, that's actually great news for my industry since we are the only ones with a national broadband plant capable of migrating to provide that kind of capacity." Another topic addressed in the 30min interview was the **FCC's** National Broadband Plan due to Congress next month. McSllarrow said cable's interest is increasing adoption (he urged Google to spend a half billion dollars—the amount it's spending on 1GB trials—on helping adoption among lower incomes HHs). "One of the things that we have been concerned about [with the broadband plan]... is that there have been proposals in terms of the integration of TV and the Internet that basically say, 'Here's the solution,'" he said. "My caution to the FCC is that I don't think anyone knows right now what the solution is or if there is 'a solution.' There may be many solutions." McSllarrow called for a robust process with all of the many stakeholders, including telcos, content companies, CE makers, distributors, etc.

Carriage: Through recent launches on certain **Time Warner Cable**, **Comcast** and **Bright House** systems and a nationwide **U-verse TV** bow, **TV One HD** added more than 4.5mln subs last year to now count more than 5.5mln overall. By the end of '10, the net will offer 40% of its programming in high-def.

In the Courts: Just when you think the *Jon & Kate* are out of the news, they sneak back in. **TLC** confirmed settlement of a breach of contract suit against the pater familias "TLC has reached a settlement with *Jon Gosselin* and will be undertaking procedural steps to conclude the litigation," TLC said. "All terms of the settlement are confidential. The whole Gosselin family remain under contract with TLC." Now bets are on over whether the 8 kids and divorced parents will return to the air in some form soon (bigger question: does America still care?). -- **DirectTV** is undeterred by a NY court's Mon denial of its request for a temporary restraining order to prevent **DISH** from running certain ads featuring comparative pricing of video service packages. Said svp, advertising and public relations *Jon Gieselman*. "We will vigorously pursue our lawsuit to prevent Dish Network from attempting to lure customers away from DirectTV through its blatantly misleading advertising campaign."

At the Portals: Public interest groups (the usual suspects) outlined 5 goals that they think the **FCC's** National Broadband Plan needs to have a chance at succeeding: 1.) A goal that US broadband adoption of world-class networks shall equal the current rate of phone adoption (over 90%) by 2020. 2.) Substantially improve the level of competition between providers of broadband Internet access to move the country out of a "stagnant duopoly" by the end of 2012. 3.) Real consumer protections for broadband customers in 12-18 months. 4.) New broadband data collection standards and rules for suing that data in market analyses by year-end. 5.) Rules protecting open markets for speech and commerce on broadband networks as soon as feasible. -- Some 23 minority media and civil rights groups sent a letter to **FCC** chmn *Julius Genachowski* this week, criticizing the agency for failing to act on proposals to advance minority ownership. Grievances include not yet holding a hearing on Arbitron's PPM (which minority stations say undercount their audiences) and not mentioning minorities or minority businesses in the Dec National Broadband Plan framework. The **Minority Media and Telecommunications Council**, **NAACP** and the **Spanish Broadcasters Assoc** are among those signing the letter.

Advertising: Addressable and interactive ads may be slower than expected or desired to mass rollouts on cable, but early results for each type point to efficacy. Homes receiving addressable ads tuned away 32% less of the time than did homes receiving non-addressed spots, according to results from an '09 **Comcast Spotlight/Starcom MediaVest Group** trial in Baltimore, which also demonstrated a 65% greater efficiency from sending ads only to targeted groupings, based on the per-spot costs of addressable and non-addressable ads. The trial used **INVIDI's** addressable tech, reached approx 60K homes and featured Walmart and Walgreen's as participants. "Our addressability work with the Comcast and SMG trials today will result in more effective and efficient advertising tomorrow," said **Walmart** sr dir, media *Rex Conklin* in a release. The results follow data from **Cablevision** last month covering initial campaign tests of its **Optimum Select** interactive ad product featuring partners such as **Gillette**, **Unilever** and **Colgate-Palmolive**. During tests, Select delivered conversion rates of 40% at the outset before reaching an apex of more than 70% with the most recent campaign featuring Colgate-



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Questions? Contact Awards Coordinator Rebecca Stortstrom at 301-354-1610; rebecca@accessintel.com.

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BUSINESS & FINANCE

Palmolive. The conversion rate marks the percentage of consumers who, after pushing the "SEL" button in response to the commercial, completed the process by again pressing "SEL" to receive the specific item being offered.

Competition: After launching the service 3 years ago in both areas, **AT&T** now counts more than 200K U-verse TV subs in Houston and more than 225K subs in Dallas-Fort Worth. -- **Sinclair** reported a 2.1% increase in 4Q local net broadcast rev, which include retrans rev and local time sales, and a 23% fall in national net broadcasting rev. Excluding political rev, big in '08, local rev rose 7.7% and national 8.4%.

VOD: Charter will unleash Thurs access to **UFC On Demand**, an Avail-TVN-distributed service featuring free features on the sport and a library of MMA fights (\$3-4 each) and full events (starting at \$5).

On the Circuit: ACC's graduate-level Cable Communications Institute will take place June 13-16 at the S.I. Newhouse School of Public Communications. Space for the 2.5-day program is limited to the first 25 qualified applicants. Tuition is \$2100 per individual on or before May 14.

People: Turner Media Group tapped *Dennis Camlek* as vp, strategic media planning, a post charged with media solutions for all Turner nets. -- **Gospel Music Channel** promoted *Melissa Ingram* to counsel, business affairs.

CableFAX Daily Stockwatch

Company	02/17 Close	1-Day Ch	Company	02/17 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	33.74	0.44	AMPHENOL:	41.69	0.39
DIRECTV:	31.65	0.75	AOL:	24.26	0.50
DISH:	19.40	0.34	APPLE:	202.55	(0.85)
DISNEY:	30.86	0.39	ARRIS GROUP:	10.26	(0.02)
GE:	16.15	0.11	AVID TECH:	13.36	(0.01)
NEWS CORP:	15.82	(0.03)	BIGBAND:	2.99	0.00
MSOS					
CABLEVISION:	22.62	0.45	BLNDER TONGUE:	1.09	(0.01)
COMCAST:	15.66	(0.01)	BROADCOM:	31.44	(0.05)
COMCAST SPCL:	14.86	0.03	CISCO:	24.07	0.07
GCI:	5.80	0.14	CLEARWIRE:	6.90	(0.13)
KNOLGY:	11.28	0.03	COMMSCOPE:	27.54	0.35
LIBERTY CAPITAL:	30.22	1.59	CONCURRENT:	4.58	(0.03)
LIBERTY GLOBAL:	25.05	0.32	CONVERGYS:	12.17	(0.14)
LIBERTY INT:	11.13	0.13	CSG SYSTEMS:	20.45	0.14
MEDIACOM:	4.27	(0.01)	ECHOSTAR:	19.31	0.05
RCN:	10.76	0.09	GOOGLE:	538.21	(3.09)
SHAW COMM:	18.95	0.23	HARMONIC:	6.19	0.04
TIME WARNER CABLE:	46.14	0.46	INTEL:	20.66	(0.06)
VIRGIN MEDIA:	14.97	0.00	JDSU:	9.43	(0.17)
WASH POST:	415.01	0.24	LEVEL 3:	1.32	0.00
PROGRAMMING					
CBS:	13.52	0.25	MICROSOFT:	28.59	0.24
CROWN:	1.60	0.02	MOTOROLA:	7.11	(0.15)
DISCOVERY:	31.38	2.44	OPENTV:	1.54	0.00
GRUPO TELEVISIA:	19.37	0.27	PHILIPS:	29.82	0.65
HSN:	19.51	(0.02)	RENTRAK:	19.07	(0.36)
INTERACTIVE CORP:	21.82	0.22	SEACHANGE:	7.03	0.03
LIBERTY:	36.17	0.05	SONY:	34.44	0.22
LIBERTY STARZ:	47.18	0.07	SPRINT NEXTEL:	3.24	0.09
LIONSGATE:	5.43	(0.05)	THOMAS & BETTS:	36.13	0.77
LODGENET:	5.99	0.25	TIVO:	10.00	0.17
NEW FRONTIER:	1.87	(0.06)	TOLLGRADE:	6.33	(0.1)
OUTDOOR:	5.29	0.12	UNIVERSAL ELEC:	23.44	0.02
PLAYBOY:	3.38	0.00	VONAGE:	1.54	0.00
RHI:	0.30	(0.05)	YAHOO:	15.44	0.03
SCRIPPS INT:	39.43	0.18	TELCOS		
TIME WARNER:	28.95	0.25	AT&T:	25.40	0.08
VALUEVISION:	3.93	0.17	QWEST:	4.45	0.08
VIACOM:	31.47	0.32	VERIZON:	29.14	(0.04)
WWE:	16.16	0.06	MARKET INDICES		
TECHNOLOGY					
3COM:	7.54	0.02	DOW:	10309.24	40.43
ADC:	6.54	(0.06)	NASDAQ:	2226.29	12.10
ADVANTAGE:	2.25	0.00			
ALCATEL LUCENT:	2.81	0.03			
AMDOCS:	29.00	0.02			

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Think about that for a minute...

Beware of What You Ask For

You all know the final line of that old adage... "Beware of what you ask for, you might get it!" Well, I think it applies more than ever in the business we know and love. In the terminology of Washington, we call it "unintended consequences," and there are plenty of indications that some of the things being considered these days may indeed have plenty of those.

This became very clear to me the other day as I was listening to my favorite National Public Radio station



Steve Effros

here in Washington. It's pledge week. Again. Seems like pledge week comes around on an accelerated basis, but maybe that's just me, thinking I am hearing them ask for money more often. I also seem to hear the "public broadcasting – non-commercial broadcasting" folks airing commercials all the time nowadays, from

ADM to Chevron to Bank of America... they're all running 30 and 60 second promos that somehow escape the pejorative "commercial." But maybe that's just me not understanding the difference.

Anyway, there I was, driving along, listening to the morning news, and the "program director" was prattling on about how expensive it is to do the programming they do, and that they actually have to pay someone to carry "Car Talk," or "Wait, Wait, Don't Tell Me." Both programs I listen to, by the way, and think are very good.

I was sort of amused that they would have to explain that fact, until I reminded myself that there are still a whole lot of folks who don't know that cable operators have to pay for all the programming they put on their systems, too.

That's when the math started to get interesting. We're talking about radio here, folks. Television is a whole lot more expensive to produce and deliver. And what were

the radio producers saying it cost? Well, they were pleading for \$120 per year from those who found their programming to be worth listening to. \$10, and they would automatically take it off your credit card every month until you told them to stop just to make it easy for you.

Now think about that for a minute. If a reasonable fee for the NPR programming I listen to is \$10 per month, then it is easily understandable that NBC, ABC, FOX, CBS, ESPN, Discovery, CNN, USA, TNT, C-SPAN, Bravo, SyFy, and a whole host of others could also reasonably say that they, too, need \$10 per month to cover their costs. And that's when we get to the whole concept of "a la carte" programming, "over the top" programming on the Internet, and the like.

Production isn't getting any cheaper. It's unlikely, despite all the initial hype, that programming will remain "free" when distributed over broadband Internet pipes. It can't. There ain't no such thing as a free lunch, and we have already determined that the "advertising only" model is no longer sustainable... ask the broadcasters or the newspapers.

So users are going to have to pay. If they continue to buy "bundles," then the price gets spread over a lot of users and lots of diversity and choice is sustained. If purchasing is made on an individual basis, then those \$10 per channel charges are going to mount up very quickly on the old credit card!

Have the folks who are calling for individual cable or Internet channel purchasing done the math? Hopefully, the next time they listen to an NPR station "pledge week" it will remind them: Beware of what you ask for!

Steve

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