

CableFAX Daily™

Thursday — February 23, 2012

What the Industry Reads First

Volume 23 / No. 035

iTV Dump: Canoe Shutting Down iTV Ad Business, Focusing on VOD

Those in the ad world were not terribly shocked by Wed's news that **Canoe Ventures** is drastically cutting back, closing its NYC office and laying off 120 employees as it abandons the iTV ad business and focuses solely on VOD ads. For some, Canoe was the textbook example of overpromising. Remember the giddiness surrounding Canoe at the '08 Cable Show as cable prepared for a world full of interactive ad dollars? One source said that Canoe was consistently nowhere near budget, with advertisers reluctant (at least on a national scale) to pay out the extra money for iTV ads (MSOs will continue to sell iTV ad opportunities on their own). The decision by MSO owners **Time Warner Cable, Comcast, Cox, Charter, Cablevision** and **Bright House** to shift Canoe's focus to VOD and relocate to its technical facility in Denver makes sense in that VOD seems to be the one advanced advertising area that advertisers are really clamoring for. "It's just the end analysis of what the marketplace wanted most—monetizing VOD," a Canoe spokesperson said, noting that the VOD focus will eventually include supporting TV Everywhere. Canoe will be left with about 30 employees (mostly on the engineer level), with Denver-based CTO *Joel Hassell* serving as the new CEO. The rest of the Canoe sr mgmt team will be departing, including CEO *Kathy Timko*, chief product officer *Arthur Orduna*, chief marketing officer *Vicki Lins* and CFO *Neil Schaffer*. *Multichannel News* first reported the changes Wed, the same day Canoe employees were notified of the plans to shutter iTV. Just last week at the **ANA** conference, Canoe presented results of a study with ANA on consumer engagement with iTV. Perhaps telling were comments from advertisers on that same panel who said they liked the results, but wouldn't commit to the pay premium ("I'm not sure we have that yet," a **Kimberly-Clark** media manager said.) Newly appointed CEO Hassell issued a lengthy statement Wed on Canoe's change in direction. An excerpt: "To make on-demand ad inventory as valuable as traditional broadcast (linear) or online inventory, the industry needs a standard, ubiquitous way to steward and monetize on-demand advertising. Canoe is committed to making this happen. Our new focus will be on giving programmers the ability to dynamically insert advertising into on-demand TV in a common way nationwide, by expanding our current technical platform and operations to facilitate advertising between many programmers and distributors." Once dynamic ad insertion is firmly in place, Canoe wants to offer more robust reporting and data insights as well as support dynamic ad insertion across an array of devices inside and outside the home. There have been many questions

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Source: Beta Research Local Ad Sales Executive Study, January 2012. Ranked #1 for Promotions, based on means among total respondents.

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about Canoe's future over the years, particularly after the departure of *David Verklin* this past summer. Verklin, formerly **Aegis Media Americas** CEO, had been Canoe's CEO since its inception in '08. Timko stepped into his post, telling us in Oct that there have been challenges at the company, but that the industry was supportive. "Anything that is a big opportunity is going to be difficult. I'm not worried about that because Canoe is all about scale—and that just doesn't happen overnight," she said in the interview. Canoe built an iTV platform that reaches 25mln HHs and has 8 cable nets on board and "dozens" of advertisers. The transition out of iTV will not be a hard shut down, with iTV ops wrapping up over the next 2-3 months as programmers and advertisers finish up business. Hassell made a point to say that each of the founding MSOs continue their support for Canoe and are committed to the new mission.

Cyber Security: Loud applause from the cable industry following **FCC** chmn *Julius Genachowski's* speech Wed on the need for industry-led solutions to combat the threat of cyber attacks. NCTA said it agreed that "voluntary public-private partnerships rather than top-down government regulation" is the best way to protect against cyber-attacks. **Comcast/NBCU** pres *Kyle McSarrow* promised that the MSO would continue to be an active participant in the FCC's Communications Security, Reliability and Interoperability Council. Genachowski gave a hat tip to Comcast and **CenturyLink** for "taking the lead in developing and promoting" cyber security solutions that don't compromise consumers' privacy. He called on all ISPs, working with other stakeholders, to develop and adopt an industry-wide Code of Conduct to combat cyber threats. He also said network ops need to adopt secure routing standards and urged all broadband providers to begin implementing the **IETF's** DNSSEC (DNS security extensions). **ACA's** *Matt Polka* joined the cable cheering section, saying that Genachowski is headed in the right direction by encouraging best practices that could be implemented on a voluntary basis.

At the Portals: 9 public interest groups, including **Public Knowledge** and **Media Access Project**, asked the **FCC** to block **Verizon Wireless'** spectrum deals with **SpectrumCo** and **Cox**. The groups claim the deal to buy spectrum from **Comcast, Time Warner Cable, Bright House** and **Cox** "would fundamentally alter the nature of the telecommunications world in a manner utterly contrary to that intended by the 1996 Telecommunications Act." Should the spectrum sales be granted, the groups want requirements that Verizon allow data roaming on its network and that it build out its spectrum or make it available in secondary markets. The groups also oppose a related marketing agreement letting Verizon sell cable's video services, arguing they raise collusion concerns. Also part of the filing are **New America Foundation Open Technology Initiative, Benton Foundation, Access Humboldt, Center for Rural Strategies, Future of Music Coalition, National Consumer Law Center**, on behalf of its low-income clients, and **Writers Guild of America, West**.

In the States: As the official telecom provider at the '12 **Republican National Convention** (Aug 27-30 in Tampa), **Bright House** will provide video, HSD and wireline voice services to the Cmte of Arrangement and attendees, vendors, and media. The MSO plans to expand its fiber infrastructure around the Tampa Bay Times Forum and Tampa Convention Center.

Beta: Cable ops again ranked **Disney/ESPN Media Nets** as the most helpful basic network org in selling HSD, Internet, HDTV and/or VOD, according to **Beta** research. **Discovery Nets, NBCU Cable, Fox Cable Nets** and **Turner Ent Nets** followed. Disney/ESPN also led regarding helpfulness with providing content on alternative platforms such as iPads, propelled by ESPN's victory in the metric among basic nets. NBCU Cable, Fox Cable Nets and Turner Nets followed among orgs, **CNN, Fox News** and **The Weather Channel** among nets. As for avg perceived value of basic nets to cable ops, ESPN was far and away the leader with an avg perceived value by affiliates of \$0.96, marking the net's 12th consecutive

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BUSINESS & FINANCE

victory. But its value fell from \$1.16 a year ago, as did runner-up **ESPN2's**, to \$0.60 from \$0.71. **NFL Net** (\$0.55), **Disney Channel** (\$0.50) and Fox News (\$0.48) ensued.

Ratings: Lin-sanity became ever more feverish once **MSG** and **Time Warner Cable** agreed to terms.

Jeremy Lin and the **NY Knicks** may have lost to the Hornets Fri night, but the game garnered for MSG a 7.32 rating (541K homes), marking the highest regular-season Knicks rating since the net began measuring its audience in '88-'89. And Mon night's Nets matchup scored an even better 7.34. -- While **Viacom** pres/ CEO *Philippe Dauman's* confident that **Nickelodeon** will rebound from its recent ratings free fall, the net lost to **Disney Channel** in total day homes for a 2nd straight week and has seen its delivery in the metric decline each week over the last 5.

People: **Starz Ent** upped *Scott Barton* to vp, digital and on demand programming. -- **Discovery Fit & Health** tapped *Laura Giacalone* as vp, marketing.

Business/Finance: **Cablevision** announced a \$0.15/share quarterly dividend payable Mar 30 to stockholders of record as of COB on Mar 9. -- At its investor day Wed, **Gannett** accompanied its growth strategy with a handsome 150% annual dividend increase to \$0.80/share and a new \$300mln share repurchase program.

CableFAX Daily Stockwatch

| Company | 02/22 Close | 1-Day Ch | Company | 02/22 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 45.05 | (0.1) | CONCURRENT: | 3.65 | (0.18) |
| DISH: | 29.16 | 0.40 | CONVERGYS: | 13.01 | (0.18) |
| DISNEY: | 41.27 | (0.3) | CSG SYSTEMS: | 16.36 | 0.08 |
| GE: | 19.39 | (0.02) | ECHOSTAR: | 30.60 | (0.22) |
| NEWS CORP: | 20.04 | (0.17) | GOOGLE: | 607.94 | (6.06) |
| MSOS | | | | | |
| CABLEVISION: | 15.07 | (0.26) | HARMONIC: | 6.10 | (0.15) |
| CHARTER: | 62.72 | 0.02 | INTEL: | 26.73 | (0.43) |
| COMCAST: | 29.28 | 0.21 | JDSU: | 13.93 | (0.68) |
| COMCAST SPCL: | 28.43 | 0.18 | LEVEL 3: | 20.89 | (0.35) |
| GCI: | 10.91 | (0.16) | MICROSOFT: | 31.27 | (0.17) |
| KNOLLOGY: | 15.45 | (0.54) | MOTOROLA MOBILITY: | 39.74 | UNCH |
| LIBERTY GLOBAL: | 48.37 | (0.08) | RENTRAK: | 21.40 | (0.8) |
| LIBERTY INT: | 17.97 | (0.1) | SEACHANGE: | 6.98 | (0.01) |
| SHAW COMM: | 20.20 | 0.04 | SONY: | 20.88 | 0.22 |
| TIME WARNER CABLE: | 76.32 | (0.34) | SPRINT NEXTEL: | 2.23 | (0.04) |
| VIRGIN MEDIA: | 24.90 | (0.37) | THOMAS & BETTS: | 71.99 | 0.08 |
| WASH POST: | 385.00 | (3.66) | TIVO: | 11.83 | 0.04 |
| PROGRAMMING | | | | | |
| AMC NETWORKS: | 44.12 | (0.33) | UNIVERSAL ELEC: | 18.98 | (0.01) |
| CBS: | 29.43 | (0.11) | VONAGE: | 2.48 | (0.03) |
| CROWN: | 1.21 | 0.01 | YAHOO: | 14.50 | (0.25) |
| DISCOVERY: | 44.25 | (0.36) | TELCOS | | |
| GRUPO TELEVISA: | 20.71 | (0.11) | AT&T: | 30.28 | (0.06) |
| HSN: | 36.36 | 0.73 | VERIZON: | 38.21 | (0.28) |
| INTERACTIVE CORP: | 45.82 | (0.14) | MARKET INDICES | | |
| LIONSGATE: | 12.55 | 0.24 | DOW: | 12938.67 | (27.02) |
| LODGENET: | 3.84 | 0.15 | NASDAQ: | 2933.17 | (15.4) |
| NEW FRONTIER: | 1.12 | (0.03) | S&P 500: | 1357.66 | (4.55) |
| OUTDOOR: | 7.04 | 0.01 | | | |
| SCRIPPS INT: | 44.03 | (0.24) | | | |
| TIME WARNER: | 37.08 | (0.49) | | | |
| VALUEVISION: | 1.89 | (0.01) | | | |
| VIACOM: | 53.86 | (0.47) | | | |
| WWE: | 9.56 | UNCH | | | |
| TECHNOLOGY | | | | | |
| ADVANTAGE: | 2.11 | (0.07) | | | |
| ALCATEL LUCENT: | 2.44 | (0.13) | | | |
| AMDOCS: | 30.77 | 0.02 | | | |
| AMPHENOL: | 56.17 | (0.24) | | | |
| AOL: | 18.33 | (0.3) | | | |
| APPLE: | 513.04 | (1.81) | | | |
| ARRIS GROUP: | 11.50 | (0.18) | | | |
| AVID TECH: | 11.64 | (0.1) | | | |
| BROADCOM: | 37.83 | (0.14) | | | |
| CISCO: | 20.12 | (0.24) | | | |
| CLEARWIRE: | 2.12 | (0.04) | | | |



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Wednesday, March 28, 2012

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Understandable Confusion

Commentary by Steve Effros

Hey, the stuff we deal with in the telecommunications business is confusing. No question about that. In fact, even the term is often misunderstood, depending on what someone is talking about. That's particularly true when the "media" (another term that's losing meaning) is involved.

I've been watching, listening and reading the news over the past week as lots of different telecommunications stories played out, and it would appear that it's time for some remedial work to put some background and context to the often scrambled reports.



Let's start with the core word; telecommunications. In our world of cable, it's often misunderstood as a description solely relating to television. Not so. The

Greek "tele" referred to something that was far away, and the combination of that with quite a few other words indicated distribution or travel over a distance. Hence; television, telephone, telegraph, telescope or even telekinesis. The difference for us with those last two is they don't rely on the physical infrastructure we use; a cable. So, "cable telecommunications" includes all those forms of communications, video, voice, data that are transported from afar using our technology. Simple. Right?

Well, apparently not. For marketing reasons, for instance, some folks who used to use a "wire," the telephone companies, decided they would market their new cable service by trying to distinguish it as "fiber." But of course a fiber optic cable is just another type of cable. And then we got the "wireless cable" folks, who are actually using various parts of the spectrum to distribute pictures, or sound or whatever, but wanted to let people know they were making available services that originated in the cable industry. So things get complicated.

It gets even worse when reporters try to deal with the

broadcast (one to many) spectrum. The "LightSquared" controversy that finally resulted last week in the FCC saying it wouldn't let the company use spectrum originally intended for satellite distribution down here on terra firma had one news outlet in a tizzy, confusing the satellite spectrum with "Super WiFi," which is a totally different thing.

And now, with Congress passing a tax bill that includes spectrum auctions, we're seeing headlines from one of the most established papers in the nation describing the newly authorized auctions as relating to satellite spectrum! It's not. It's broadcasters' spectrum that will be the focus of the auctions. In any event, I can't really fault these mixed up signals. This stuff is complicated, and it doesn't get any easier when terms are coined like "over the top" to refer to video programming distributed via cable broadband (or "data" or "Internet") as opposed to one of the other services we offer: cable television. I still don't know what "over the top" refers to! The top of what?

I don't think there is any quick fix for all of this. Some of us spend our days writing about and talking to the other folks who write about telecommunications. They are often pretty long conversations, because you have to get someone onto a common ground of understanding the terminology before you can get to the policy or business issues they really want to discuss.

But it's important time to spend, because if we don't, then down the road there will be more and more confusion as to who and what we are, and how all the pieces fit together regarding the questions relating to our business.

It's confusing. Granted. All we can do is keep on trying. The worst thing we could do is just give up.

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)



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