

CableFAX Daily™

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What the Industry Reads First

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DISH Dive: DBS Op's Losses Pile Up, Pay TV Stocks Slide

No one cheered **DISH's** 4Q results Mon, which sent shares spiraling to close down nearly 12%. The operator lost 102K subs during the Q—the same Q in which **DirectTV** added 301K subs. Analysts had projected that DISH would actually add 5K subs, with some predicting even higher gains. It has been a mighty fall for DISH, which reported its 1st quarterly loss in history back in 2Q08. This marked its 3rd consecutive Q of sub losses, and some think it could get worse. **Col-lins Stewart's Thomas Eagan** is concerned that DISH could lose its contempt case with **TiVo** and that the risk is not fully priced into the stock. Also weighing on the company is the loss in '09 of its marketing partnership with **AT&T** to **DirectTV**. "Without AT&T, gross additions will face continued downward pressure," said investment firm **Sanford Bernstein**. "And a worsening economy poses a stiff headwind to any hopes of churn improvement." DISH's **Charlie Ergen**, however, said Mon that things would get better in the new year, saying the service and marketing had been too complicated for consumers. Other bad 4Q news besides sub losses included: gross adds of just 659K and YOY revenue growth of only 1% to \$2.92bln. **UBS** predicted Mon that the pay TV industry will add 1.2mln new video subs this year, down from its previous estimate of 1.7mln and the 1.3mln added last year. Pointing to weak results from **Comcast** and **Time Warner Cable**, the firm noted that the pay TV industry as a whole added roughly 180K new basic video subs in 4Q, down 59% annually. Cable MSOs lost an estimated 586K subs, while telcos added 567K. "Telcos made major gains in broadband... winning 56% of flow share in 4Q after cable had won 88% in 2Q," UBS told clients. "The telcos also saw relative strength in voice and video in 4Q as well. These results coincided with strength in Bell shares in 4Q while cable remained strong after 2Q08 results." With the market dipping below 7000 for the 1st time in 11 years, cable stocks failed to make gains Mon. **Cablevision** closed down 8%, followed by **Mediacom** (4%), **Comcast** (3%) and **Time Warner Cable** (2%). The Bells didn't fare any better with **Verizon** down 3.5% and **AT&T** down 3%. **DirectTV** shed 2.6%.

DTV Doings: **NAB** is rebranding its DTV consumer education campaign to reflect the new June 12 deadline. The trade group is launching new ads in 200 public buses across DC. It's also updating TV spots in English and Spanish and a half-hour educational program about the transition that stations must run to meet FCC requirements. NAB is also providing customizable marketing material to help stations transitioning before June 12. Meanwhile, NAB is urging the **FCC** to rescind instructions for broadcasters to restart the 100-day countdown clock on Mar 4. The group thinks restarting it so soon would decrease its effectiveness. It also asks that stations that elect to turn off their signals before June 12 not be made to air 60 days of on-air viewer notifications, arguing that 30 days is sufficient.

Online Networks: The hot-button issue of potential online access to all cable programming arose Mon at the **Deutsche Bank Media and Telecom Conference**, with both **Viacom** pres/CEO **Philippe Dauman** and **Time Warner** chmn/CEO **Jeff Bewkes** saying their companies are amid testing with pay TV operators to further related initiatives.



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The Nielsen Company, Cable Coverage Universe Estimates, HHLD, March 2009

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“Everything on TV should be available on broadband, [and] we’re moving to do that,” said Bewkes, who believes multichannel subscription should be required for online access to that content. But any initiative in the space “has to be seamless to the consumer,” said Dauman, noting current work with “several big operators” on methods to digitally authenticate multichannel subs without the need for a pin or password. In carriage negotiations for **Epix** (Oct 1), he said, the premium channel’s ownership is offering operators a distribution package that includes linear, VOD and mobile services. “If done right, it is additive and builds loyalty,” said Dauman of online content distribution.

Deutsche Bank Notebook: As the ad market flounders, **Viacom** pres/CEO *Philippe Dauman* said his company’s online strategy is helping fare better than most. “Advertisers are gravitating to online inventory that is branded,” said Dauman, noting more integrated marketing opportunities as a key benefit of Viacom’s strong online/linear linkage through branding. Meanwhile, the linear ad market remains challenged, he said, and Viacom is concentrating on cost efficiencies to mitigate that weakness. Still, US affil revenues, which swelled by 12.2% in ’08, and ratings improvement at several nets has Viacom “pretty well positioned relative to many others,” said Dauman. -- “I think we’ll be at the top of the industry again,” said **Time Warner** chmn/CEO *Jeff Bewkes* of his cable nets’ forthcoming upfronts, citing synergies across properties. He said **TNT** and **TBS** play a huge role. “We keep driving the quality advantage between those nets and others they are competing with,” said Bewkes. **CNN**, meanwhile, has doubled its profits over the last 4 years, he said, and **HBO** will bow 3-5 originals this year “that are big prospects.” -- **Deutsche Bank** expects cable’s net advertising to fall by approx 700 basis points in the current Q.

Competition: Having added nets such as **ABC Family HD**, **Disney Channel HD** and **ESPNU HD**, **U-verse TV** now offers more than 100 high-def channels across its footprint.

Earnings: Insight’s full year ’08 revenue increased 16% over ’07 to \$869.6mln, while adjusted OIBDA rose 14% to \$284mln. And it actually ended the year with more basic subs, posting 5% growth. This was its 2nd year of basic growth of 5%+. The 58.9K digital adds and 89.4K phone adds were both records for the company.

Technology: SeaChange and **TiVo** teamed up to integrate cable VOD services into the TiVo HD DVR. TiVo set-tops that use CableCards. The integrated experience will be available to participating cable ops on select TiVo boxes later this year. Separately, **TiVo** and **tru2way**-embedded software maker **Alticast** have agreed to integrate their software in an effort to reduce time-to-market and hardware costs for pay TV ops.

Programming: Comcast and **NBA TV** are close to a deal to move the net off the digital sports tier and on to digital basic, reports *Sports Business Journal*. A deal is not signed, but sources told the pub an agreement could come in

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- **PLUS: Hats off to Us! CableFAX’s 20th Anniversary Celebration** with a Special Tribute to Paul Maxwell

Many Ways to Celebrate!!

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- Place your ad in WICT 30th Anniversary Special Section.
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Distribution: Publication Bins, CableFAX Panels, WICT Event



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BUSINESS & FINANCE

time to move the net by the start of next season. -- **G4** debuts new investigative reporting series, "G4 Underground," Mar 29, 9pm. -- **RCN** has gained access to a portion of **Snag-Films'** Web-based content library of nearly 600 films for feature on **RCN Channel 8** and VOD. -- **TV Guide Net** greenlit a 4th season of "Idol Tonight," which returns to the net Mar 11. -- **YES** inked a deal to simulcast **WFAN's** weekly "The NFL Now" show on Sundays beginning this fall.

Honors: 25 execs will join the **Cable Pioneers** this year with induction set for Apr 1 during the **Cable Show**. Retired **Landmark** chief *Decker Anstrom*, **ACA's** *Matt Polka* and **C-SPAN's** *Susan Swain* are among the honorees.

People: **Comcast Interactive Media** tapped **Interactive Advertising Bureau** co-founder *Scott Schiller* as svp, ad sales, with oversight of **Fandango**, **Fancast**, **Movies.com** and **Plaxo**. -- **NBA Digital** appointed *Eric Jackson* vp, business operations and *Jeffrey Mirman* vp, marketing and programming. -- **Disney/ESPN** vp field sales *Jane Rice* has joined **Lifetime** as svp, affil sales. -- Congrats to *Ted Hearn* who joins **ACA** as vp, communications in D.C. Hearn, who served as **Multi's** DC news editor, was among several laid off at **Reed** earlier this year.

Business/Finance: **Lionsgate** has closed on its acquisition of **TV Guide Net** and **TV Guide Online** from **Macrovision**.

CableFAX Daily Stockwatch

Company	03/02 Close	1-Day Ch	Company	02/02 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCOM:	15.60	(0.85)	AMDOCS:	16.46	(0.29)
BRITISH SKY:	25.44	(1.2)	AMPHENOL:	24.06	(1.36)
DIRECTV:	19.41	(0.53)	APPLE:	87.94	(1.37)
DISH:	9.93	(1.32)	ARRIS GROUP:	5.95	(0.17)
DISNEY:	16.05	(0.72)	AVID TECH:	9.70	(0.26)
GE:	7.60	(0.91)	BIGBAND:	5.73	0.29
HEARST-ARGYLE:	1.46	(0.25)	BLNDER TONGUE:	0.98	0.00
NEWS CORP:	6.00	(0.26)	BROADCOM:	15.60	(0.85)
MSOS					
CABLEVISION:	11.93	(1.06)	CISCO:	14.32	(0.25)
CHARTER:	0.02	0.00	CLEARWIRE:	2.96	(0.26)
COMCAST:	12.59	(0.47)	COMMSCOPE:	8.33	(0.6)
COMCAST SPCL:	11.79	(0.36)	CONCURRENT:	2.80	(0.09)
GCI:	4.94	(0.45)	CONVERGYS:	6.18	(0.27)
KNOLOGY:	3.93	(0.05)	CSG SYSTEMS:	13.79	0.27
LIBERTY CAPITAL:	4.90	(0.24)	ECHOSTAR:	14.94	(1.44)
LIBERTY ENT:	16.75	(0.57)	GOOGLE:	327.16	(10.83)
LIBERTY GLOBAL:	11.92	(0.35)	HARMONIC:	5.13	(0.31)
LIBERTY INT:	3.02	(0.22)	INTEL:	12.31	(0.43)
MEDIACOM:	3.74	(0.16)	JDSU:	2.44	(0.32)
SHAW COMM:	13.98	(0.74)	LEVEL 3:	0.75	(0.05)
TIME WARNER CABLE:	17.83	(0.4)	MICROSOFT:	15.79	(0.36)
VIRGIN MEDIA:	4.65	(0.13)	MOTOROLA:	3.38	(0.14)
WASH POST:	348.05	(12.44)	OPENTV:	1.23	0.05
PROGRAMMING					
CBS:	3.99	(0.28)	PHILIPS:	14.87	(1.12)
CROWN:	1.66	0.02	RENTRAK:	9.75	(0.57)
DISCOVERY:	15.26	(0.25)	SEACHANGE:	4.87	0.00
EW SCRIPPS:	0.99	(0.15)	SONY:	16.46	(0.1)
GRUPO TELEVISA:	11.58	(0.59)	SPRINT NEXTEL:	3.14	(0.15)
HSN:	3.85	(0.42)	THOMAS & BETTS:	21.31	(1.6)
INTERACTIVE CORP:	14.80	(0.13)	TIVO:	6.60	(0.49)
LIBERTY:	18.99	(0.86)	TOLLGRADE:	5.55	(0.05)
LODGENET:	0.61	(0.04)	UNIVERSAL ELEC:	15.58	0.01
NEW FRONTIER:	1.42	(0.01)	VONAGE:	0.33	(0.02)
OUTDOOR:	4.32	0.26	YAHOO:	12.58	(0.65)
PLAYBOY:	1.27	(0.14)	TELCOS		
RHI:	2.60	(0.12)	AT&T:	23.04	(0.73)
SCRIPPS INT:	19.15	(0.76)	QWEST:	3.22	(0.17)
TIME WARNER:	7.36	(0.27)	VERIZON:	27.52	(1.01)
VALUEVISION:	0.29	0.03	MARKET INDICES		
VIACOM:	15.75	(1.07)	DOW:	6763.29	(299.64)
WWE:	9.30	(0.4)	NASDAQ:	1322.85	(54.99)
TECHNOLOGY					
3COM:	2.20	(0.02)			
ADC:	2.59	(0.25)			
ADVANTAGE:	1.65	0.10			
ALCATEL LUCENT:	1.25	(0.06)			

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Source: BETA 2008 Cable Operator Carriage Study, Ranked among all measured emerging and mid-sized cable networks among non-affiliates "very/fairly interested in carrying channel by end of 2009".

EYE ON DIGITAL

The Last 10th of a Mile: The Digital 'OOH' Ad Threat

Media firms that fear migration of their ad dollars to the Web may be missing an even bigger threat to their bottom lines: out-of-home (OOH) video. As other platforms contract under the pressure of reduced spending, OOH is one of the few areas of advertising technology that is booming. A flurry of deals last week underscored the pervasiveness of in-store video screens and the ways digital distribution and digital ad buying will fuel them. Digital signage company **Park Media** signed a deal to distribute video to 430 locations in **IndoorDirect's** "TheBite" Network, including Hardee's and Denny's. **PumpTop TV's** network of gas station pump video screens will get a new content management and media player system from **Westinghouse**

Digital Electronics. The new platform delivers more targeted video messaging at the pump. And **CBS Outernet's** network of in-store screens will use the **SeeSawAds.com** to power its new online market where agencies can plan and buy OOH ads across its 10800 locations in the U.S. All of these developments demonstrate how video content and video advertising will flow more fluidly across the Web and OOH networks. Distribution, technology and marketing companies are positioning themselves to exploit an OOH market that **eMarketer** predicts will grow from \$1.26bn in ad revenue in '07 to \$2.25bn in '11.

OOH video ads pose a substantial threat to traditional TV and print revenues because they represent a double whammy to old media, say researchers in an upcoming issue of *Marketing Science*. Professors *Yunchuan "Frank" Liu* of the University of Illinois and *Anthony J. Duker* of the University of Southern California co-wrote a study showing how in-store ads not only grab consumers closer to the point of purchase, but they also grab manufacturers because of a pricing advantage. Retailers have a direct interest in the effectiveness of in-store ads because they spike their sales, and so store owners subsidize these ad

networks in ways print and TV media cannot. put rich ad experience right at the point of sale, "Commercial media only gains from advertising, with no direct stake in how much product is sold," Liu says. "In the future, we see more advertising available in stores, and more advertising shifting from commercial media to in-store media."

Studies found brand recall of ads in Wal-Mart's was 65% vs 23% for in-home viewers. Up to 70% of brand decisions are made while consumers shop, supporting research finds.

More in-store media could have significant impact not only on marketing budgets but also platform strategies. In-home TV advertising may need to focus more on long-term buys, non-retail purchases like entertainment, and major brand awareness campaigns. In-store advertising may take a larger share of packaged goods advertising.



Of course, in-store networks redistribute short form video content from network and cable content companies as well as Web video brands. **NBC** and **CBS** have made deals and bought technologies letting them marry their own video entertainment content with advertising. It remains to be seen what content mix consumers want from their checkout/gas pump/end cap TV. Is all advertising all the time going to be good enough to capture attention spans, or will in-store gazers expect a blend of entertainment and ads? Professors Liu and Duke expect that in-store ad spots will become more informational in order to help consumers make decisions at point of sale. But do aisle-crawlers want infomercials at every turn of their squeaky shopping cart or something more entertaining and familiar—something closer to the in-home viewing experience? Expect the next war to control the TV screen to occur out of home, not just online. And one unanswered question remains. Will King Content be powerful enough to dominate this new venue too?

(Steve Smith is a lapsed academic turned media critic and consultant. He is the Digital Media Editor for Min, conference programmer for Mediapost, and longtime columnist for eContent Magazine).

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