

CableFAX Daily™

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What the Industry Reads First

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New Dimensions: MSOs, Programmers Eye Premium 3D Tiers

As MSOs begin to add **3net**, **ESPN 3D** and new 3D networks to their lineups, some distributors may begin charging subs a premium for 3D programming. "It [3net] will go to some tiers over the course of the next year," said 3net president *Tom Cosgrove*. **DirectTV** is 3net's only distributor, carrying the 3D channel from **Discovery**, **Sony** and **IMAX** alongside **ESPN 3D** and **n3D** – DirectTV's 3D channel. The top DBS provider doesn't charge a premium for 3D content but offers the network to any sub already paying an additional \$10 monthly for HD programming. Discovery svp, distribution *Meg Lowe* said 3net expects to announce a "couple of deals in the near future" but declined to name which distributors would carry 3net or how it'll be priced. **Comcast** flipped the switch last month on **Xfinity 3D**, a 24-hour channel containing 3D movies, concerts and sporting events. While the MSO isn't yet charging a premium for Xfinity 3D and **ESPN 3D**—the only other 3D network it carries—vp, video services *Jay Kreiling* says execs there have discussed the possibility of packaging 3D content on a premium tier. "I think it's a fair question, and right now the answer is TBD," Kreiling said. "It's going to be a matter of how the overall content landscape evolves, and whether or not there's a critical mass of content out there." Comcast is talking to Discovery about carrying 3net, and other programmers that he declined to name have approached the MSO about launching new 3D channels, he added. **Time Warner Cable** charges subscribers \$10 monthly for its 3D Pass, which only includes **ESPN 3D**. A spokesman declined to comment when asked if TWC plans to add 3net, and how the addition of new 3D channels to its lineup could impact 3D Pass pricing. **AT&T** charges subscribers \$10 monthly for a "3D Technology Package" that comes with **ESPN 3D** and several 3D movies from **IMAX**. 3D could eventually drive ad revenue for programmers and MSOs, but a lack of data on 3D viewing could hinder that effort. Kreiling said Comcast doesn't yet have plans to add advertising to Xfinity 3D. The MSO said it doesn't have viewership data for the linear channel but boasted that it has generated more than 1mln VOD views from 3D content since it began offering 3D movies, concerts, and sporting events last spring. 3net plans to begin running ads in April. Cosgrove said the ad load will include traditional 30-sec spots, along with "brought to you by" sponsorships. 3D technology could allow programmers to sell advertisers like Coke a product-placement spot where a soda can hover in front of a 3DTV screen, but 3net won't take that route, Cosgrove said. "Organic integration into the programming makes sense," he added.

Media Conference: Not surprisingly, lots of attention at **Deutsche Bank's** Media Conference Mon centered on **Netflix**, with cable adamant that the industry can effectively compete. **Comcast Cable** pres *Neil Smit* said the big differentiator is that cable offers current content that people want to watch. Nonetheless, Comcast is talking to content providers about offering up more library content, he said. Smit did tip his hat to Netflix on its user interface. **Time Warner Cable** CEO *Glenn Britt* said cable's clunky user interface is the result of being constrained by set-top boxes. "We now have a new generation of devices hitting the market that are a lot more capable... Our goal is to be on every device and... to have the best user interface that device is capable of," he said, referring to how TWC wants



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to have its linear video service on the PC, iPad and smart TVs. While Britt lauded Netflix's deep library of content, great interface and low price, he said TWC can more than match it by building on its VOD platform and tackling the user interface. Britt said the cost to stream is "not as cheap as their old model, so I'm not sure of what is there that's a sustainable advantage over what the existing cable, satellite and phone companies can do." Saying it's "not acceptable to slowly lose video customers every year," Britt said TWC will focus on better marketing and new products. Smit identified retention as a top priority. "I hate losing subs," he said. "I think it's something we should always be achieving to improve on. I can tell you that Q4 we lost fewer subs than Q409, and I'd like to see that loss go away."

Advertising: Donovan Data Systems is developing tech to support **Canoe Ventures'** advanced ad solutions. With its iTV platform now in nearly 20mln homes touching 18 of the top 25 DMAs, Canoe has worked with DDS for 6 months to better understand how iTV affects the buying process. Based on the research, DDS will integrate iTV functionality into its cable systems that delivered more than \$15bln in '10 billings from clients including 8 of the top 10 US media agencies. -- **Cablevision** and **Group M** collaborated on a 4Q addressable ad campaign that featured the simultaneous delivery of advertising from 5 different brands sharing a single 30sec unit across nearly 3 mln homes in the NY metro area. The collaboration marked the 1st HH TV addressable campaign to use the MSO's full footprint, and commercials for the 5 brands were directed to the homes based on likely relevance. The campaign sub-divided the spots across more than 25 cable nets, with each of the 5 brands receiving separate metrics. -- **Hallmark Channel** and **Hallmark Movie Channel** signed on to use **Rentrak's** TV Essentials service that measures all cable nets at a granular level in all 210 nationwide markets and features the company's "Stickiness Index," a tool meant to give nets and advertisers a more valuable metric to measure engagement for linear programming.

DISH Dump: LIN signals went dark on **DISH** over the weekend, resulting in the loss of 27 local channels in 17 markets. "LIN Media is simply being greedy, insisting on a rate increase so immense that DISH Network and its customers couldn't possibly absorb it," said DISH svp, programming **Dave Shull**. Countered LIN pres/CEO **Vincent Sadusky**: "We only want what is fair for our local stations, so that we can continue providing the premium news, sports, entertainment and other local programming that is most important to viewers." Markets impacted include Austin (**NBC** affil), Buffalo (**CBS**) and Green Bay (**Fox**). Both sides said they were open to continuing talks, although DISH claims LIN didn't make an effort to keep talking during the final hours of the contract. **Comcast** struck a deal with LIN last week, and the broadcaster has extended its contract with **Time Warner Cable** multiple times over the past few months.

Latino TV: Comcast launched Xfinity TV in Spanish, offering Spanish-language choices on TV, VOD and online. The MSO introduced XfinityTV.com/latinoTV, which features hundreds of Spanish-language movies and shows online free to Comcast digital subs, and has more than tripled the number of Hispanic TV choices available On Demand.

On the Hill: House Commerce is slated to mark up a resolution disapproving the **FCC's** Dec Open Internet order Wed morning, after a subcmte hearing on the resolution. In the House, such a resolution isn't subject to amendment. But the committee will allow amendments to be considered. Witnesses include **AT&T's Jim Cicconi** and Northwestern prof **Shane Mitchell Greenstein**. -- Sen Commerce member **John Ensign** (R-NV) announced Mon that he won't seek re-election in '12.

In the States: Cable trumpeted its contribution to the economy Mon, with **NCTA** releasing a **Bortz Media and Sports**

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BUSINESS & FINANCE

Group study that found the industry supports nearly 1.8mln jobs representing gross economic output amounting to more than \$251bln. Even during the recent economic downturn, cable continued to create new jobs, adding 4700 over the last 3 years. To view results from the study, including economic and job data by state and congressional district, visit www.ncta.com.

Program Deals: **Discovery** will make its entire footage archive available through new content licensing business, **Discovery Access**. It marks the 1st time the footage has been made available for use by external production entities. **Discovery Access** is part of the recently-launched **MyDiscovery** unit that is charged with taking **Discovery** footage beyond the television. -- **YES** and the **NJ Nets** are taking their dispute over rights fees to arbitration, with the process expected to begin in about a month, reports *Sports Business Daily*. The 2 are in a 20-year deal that runs through '21-'22, but allows the sides to reset the rights rate after this season.

People: **Crown Media** tapped *Andrew Rooke* as *evp*, *CFO*. He had worked in finance posts at **Twentieth TV**, **MySpace** and **Fox Ent Group**. *Ex-CFO Brian Stewart* left the **Hallmark** parent in Aug. -- *Melissa Maxfield* and *Kathy Zachem*, key to Washington approval for **NBCU**, were upped to *svp*, congressional and federal govt affairs and *svp*, regulatory and state legislative affairs, respectively.

CableFAX Daily Stockwatch

Company	03/07 Close	1-Day Ch	Company	03/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	45.84	(0.21)	BLNDER TONGUE:	2.08	0.04
DISH:	23.32	(0.18)	BROADCOM:	40.74	(1.3)
DISNEY:	43.02	(0.53)	CISCO:	18.20	(0.2)
GE:	20.38	0.01	CLEARWIRE:	5.17	(0.38)
NEWS CORP:	18.12	(0.6)	CONCURRENT:	5.77	(0.07)
MSOS					
CABLEVISION:	35.88	(0.46)	CONVERGYS:	13.63	(0.34)
CHARTER:	48.22	0.23	CSG SYSTEMS:	19.80	0.01
COMCAST:	25.42	(0.13)	ECHOSTAR:	36.40	(0.4)
COMCAST SPCL:	24.02	(0.06)	GOOGLE:	591.66	(8.96)
GCI:	11.59	(0.22)	HARMONIC:	9.48	(0.21)
KNOLGY:	13.37	(0.19)	INTEL:	21.21	(0.35)
LIBERTY CAPITAL:	73.26	(1.35)	JDSU:	25.49	(1.88)
LIBERTY GLOBAL:	43.13	(0.53)	LEVEL 3:	1.39	0.06
LIBERTY INT:	16.04	(0.17)	MICROSOFT:	25.72	(0.23)
SHAW COMM:	20.80	(0.25)	RENTRAK:	25.90	(0.79)
TIME WARNER CABLE:	71.07	(0.94)	SEACHANGE:	9.08	(0.27)
VIRGIN MEDIA:	27.52	0.17	SONY:	35.16	(0.79)
WASH POST:	432.02	(4.52)	SPRINT NEXTEL:	4.48	0.14
PROGRAMMING					
CBS:	23.62	(0.34)	THOMAS & BETTS:	56.22	0.19
CROWN:	2.80	0.09	TIVO:	9.06	(0.21)
DISCOVERY:	41.47	(0.47)	TOLLGRADE:	10.01	0.01
GRUPO TELEVISA:	23.28	(0.41)	UNIVERSAL ELEC:	27.01	(0.36)
HSN:	29.58	(0.75)	VONAGE:	4.17	(0.03)
INTERACTIVE CORP:	30.86	(0.64)	YAHOO:	16.70	(0.38)
LIBERTY:	42.38	(0.39)	TELCOS		
LIBERTY STARZ:	76.63	0.33	AT&T:	27.90	(0.02)
LIONSGATE:	6.13	(0.15)	QWEST:	6.62	(0.03)
LODGENET:	3.13	(0.24)	VERIZON:	36.01	(0.07)
NEW FRONTIER:	1.96	(0.08)	MARKET INDICES		
OUTDOOR:	7.36	(0.28)	DOW:	12090.03	(79.85)
SCRIPPS INT:	50.76	(0.88)	NASDAQ:	2745.63	(39.04)
TIME WARNER:	36.78	(0.47)	S&P 500:	1310.13	(11.02)
VALUEVISION:	6.66	(0.14)	TECHNOLOGY		
VIACOM:	52.58	(0.62)	ADVANTAGE:	3.17	0.02
WWE:	13.24	0.06	ALCATEL LUCENT:	5.55	(0.11)
TECHNOLOGY					
AMDOCS:	29.74	(0.61)	AMPHENOL:	57.82	(0.65)
AOL:	19.26	(0.79)	AOL:	19.26	(0.79)
APPLE:	355.36	(4.64)	APPLE:	355.36	(4.64)
ARRIS GROUP:	12.72	(0.44)	ARRIS GROUP:	12.72	(0.44)
AVID TECH:	21.39	(0.22)	AVID TECH:	21.39	(0.22)
BIGBAND:	2.57	(0.01)	BIGBAND:	2.57	(0.01)

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EYE ON ADVERTISING

Giving 3D A Sporting Chance

Valentine's Day was particularly sweet for sports fans as **ESPN** picked Feb. 14 as the day to take its nascent 3D network to a 24/7 programming schedule. The network is running only 3D ads to accompany its content, making it one of the most salient test beds for the technology in the advertising space. Early advertisers include **Gillette, Norelco, Panasonic, Disney/Pixar, Universal** and ESPN's 3D partner, **Sony**. Ed Erhardt, ESPN president of customer sales and marketing and chair of the **3D Society's** marketing committee, tells Cathy Applefeld Olson why the decision to embrace 3D is crystal clear.



We're still pretty early on the curve. Why does it make sense for ESPN 3D to go 24/7 now?

EE: We want to be advocates for 3D advertising as part of the 3D marketplace and the 3D experience. If we can be part of an industry group that sees 3D advertising as something marketers can use to enhance their brands and sell products, then we think that's a good thing to be part of.

What content is best suited for a 3D environment?

EE: We've continued to run major events in 3D, and there continues to be I think a groundswell of support for sports, particularly live sports as one of the true applications 3D works best for. It's been well-received by consumers.

What's the proposition for advertisers?

EE: There are some differences. We are providing a unique feed for 3D commercials, so if you're wearing your glasses and watching the programming, you are going to see them. Those that create commercials for 3D will benefit from the experience. What is happening on the screen and what technology can do with the screen clearly is something advertisers continue to want to be part of, regardless of which screen we're talking about. The question is, how to create advertising that enhances the content, and with sports in particular, there's a great opportunity there. The thing to me that is most interesting is that the technology is

a tremendous driver of all of this, and for some parts of the ad businesses technology is quite disruptive and creates a lot of change. Sports is very well-positioned because the technology actually enhances sports. That's not the case with all content. With sports you can get there quicker and it has the advantage of being live.

At this juncture, what's either enticing advertisers or causing them to wait on the sidelines?

EE: There is a cost factor, and a usage factor most importantly. Advertisers want scale. And at the moment 3D distribution—and 3D sets and 3D content—need to scale up. If you think about the advertisers currently doing spots in 3D, it's the movie studios that are using their content in 3D, and the set makers—the Samsungs, Sonys and Panasonics—have 3D spots because it's in their vested interest. And then there are some advertisers that are cutting-edge and want their brands to be seen as cutting edge. Mercedes has taken an aggressive stance in this regard. The companies currently doing it are doing it because of business reasons. It will continue to evolve as we go.

How's interest in the advertising community?

EE: Everyone wants to know what we are doing. There is tremendous interest in our plans for 3D and tremendous interest in who is doing advertising in 3D.

Are there brand categories that have taken more quickly to the technology?

EE: Broadly speaking, the categories I mentioned are the ones that are asking the more detailed questions. We are not seeing packaged goods or fast food at this point. Anheuser Busch has been involved in a different way. They sponsor 3D viewing parties at clubs for college football games, so they looked at it as another way to tie in consumer interest.

(Longtime entertainment industry reporter Cathy Applefeld Olson is delighted to be documenting media's wild ride into the 21st century)

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