

CableFAX Daily™

Friday — April 30, 2010

What the Industry Reads First

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Sign 'Em Up: Competitive Tactics from the New England Field

Observers often point to cable's lack of contracts as a selling point over its competition, but **Cox New England** has found that using those contracts can stem telco video losses. Approx 80% of the MSO's RI footprint will be passed by **Verizon FIOS** by year-end, and 85% of its CT footprint will be passed by **AT&T's U-Verse**, Cox New England svp, gm **Paul Cronin** said Thurs at the **Broadband Cable Assoc of PA's** Cable Academy. Before the telcos entered the markets in '07, Cox NE introduced 18-month contracts with \$5/mo savings. "Contracts have been one of the biggest things in terms of protecting our base," he said, noting initial resistance from corporate. But, perhaps already conditioned by wireless contracts, customers have yet to rebel over the tactic, he said, noting that Cox knew it didn't want to compete with Verizon on price. It wanted to focus on its strong suit, customer service—playing it up in its marketing materials during the 2 years leading up to FIOS' launch. "We knew Verizon was going to try to buy market share," Cronin said. Cox NE didn't want to go lower than FIOS or even match its prices, opting to try to stay within about \$5. Verizon took a lot of customers with its initial RI launch, and research showed it was some of Cox's best customers—more than 50% were in a bundle, and they were often HD and DVR customers. They left because of pricing, with 61% saying they would have stayed if Cox NE had offered a comparable price. Rather than lower prices and suffer poor margins, Cronin and team revised its bundle. The problem, he said, was that Verizon's standard bundle included everything but the kitchen sink. "We knew if we tried to match them, we would have been in trouble," Cronin said. So, Cox NE introduced the concept of choice with "Max Bundles," letting customers focus on a more video centric bundle (includes **HBO**, etc), a HSD bundle (faster speeds), and so forth. And of course, these bundles were put into contracts with price guarantees. FIOS take-rates started dropping, according to Cronin, with more than 72% of his bundled customers now on a Max Bundle. Lower churn justified the move. "While we have lost share to Verizon on our basic customer base, penetration has gone up in our other product sets," Cronin said. Now the telcos are focusing more on increasing market share, with Verizon slashing the price for the first 6 months of its 2-year, 3-product bundle to \$65/mo in RI. Cox responded with a \$79.99 bundle for 6 months. "We've really had to stay right with them," said the gm.

TWC, Cable Advance: Apparently 2 makes a trend for investors, at least where cable's overall health is concerned, as Wall St swilled with gusto shares of **Time Warner Cable** (+7.6%), **Comcast** (+6.3%), **Cablevision** (+3.8%) and **Media-**



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com (+2.3%) Thurs after the former MSO followed Comcast with breakout earnings data. TWC beat estimates covering nearly every financial metric, and like Comcast excelled in net broadband adds (221K), ad rev growth (+19%) and FCF (+78%). "It's been quite a few quarters since we've been able to deliver such positive news," said chmn/CEO *Glenn Britt*. Yet even as COO *Landel Hobbs* said the MSO's tally of video sub losses to **AT&T** and **Verizon** continues to abate and that TWC beat **DirectTV** and **DISH** in the metric in 1Q, Britt noted how important keys to residential sub metrics—housing, consumer confidence and spending—haven't shown marked improvement. "We think we're still bouncing along the bottom," said Britt. Still, rev increased across video (2.7%), HSD (8.4%) and phone (9.3%), and Hobbs is bullish on the MSO's intensified focus on segmenting residential markets. "The era of one-size fits all in cable is coming to an end," said Hobbs. "We'll tailor the multi-product bundles and the service experience itself to the needs of specific customer sets." Nearly 60% of TWC subs receive at least 2 products, but that still leaves approx 6mln with video only. Segmentation helped spur the growth in ad rev, said Hobbs, by making ads "much more focused, efficient and relevant." The MSO's commercial rev increased by 19% and totaled \$254mln. "All that remains now is greater clarity regarding cash distribution," wrote **Sanford Bernstein's** *Craig Moffett*, noting TWC's achievement of a 3.19x leverage ratio, below the 3.25x it had set as a goal following its separation from **Time Warner**. The MSO recently distributed its 1st dividend payment. As Moffett believes share repurchases will come this year, **Wells Fargo Securities' Marci Ryvicker** believes TWC "is more open to making acquisitions," and said commercial business-driving purchases are the most likely.

BCAP Notebook: Atlantic Broadband continues to innovate. Pres/COO *Ed Holleran* told **Broadband Cable Assn of PA** Cable Academy attendees that his company is gearing up to launch DOCSIS 3.0 in Miami Beach. With its DE system already all digital, he said plans are underway to make the switch in Uniontown, PA, and MD to be more competitive. He also talked up TV Everywhere, saying it will be essential to continued growth. "Cable woke up a year ago and said, 'We're killing the golden goose here by risking giving away product for free,'" Holleran said, predicting that **Hulu** is going to have a hard time moving to a subscription model. -- Have we created an HD monster? **Massillon Cable's** switch to all-digital has allowed it to launch nearly 100 HD channels. Pres *Bob Gessner* said he was surprised when 57% of its 1500 HD DVR survey respondents cited "not nearly enough channels in HD." But when the OH cable op asked subs what they wanted, they had a hard time naming channels. "A lot asked for things that we already had and most just said 'everything,'" Gessner said.

At the Portals: The **FCC's** May 20 proposed open meeting agenda includes an Order and Further Notice of Proposed Rulemaking to implement the National Broadband Plan recommendations to foster competition and broadband deployment by ensuring nondiscriminatory and reasonable access to utility poles.

On the Hill: Senate Dems, including *Charles Schumer* (NY), *Russ Feingold* (D-WI) and *Al Franken* (D-MN), announced legislation meant to lessen the impact of Jan's Supreme Court ruling overturning a ban on political spending by corporate interests. Their bill would bar foreign-controlled corporations, govt contractors and companies that have received govt assistance from making political expenditures. The goal is for it to pass by July 4 so it would take effect in time for the midterm elections. It also would require corporations, unions and other organizations that make political expenditures to disclose their donors. -- The ongoing saga over the retail availability of set-top boxes continued on its marathon trajectory Thurs, with the latest stop a House Commerce subcmte hearing in which chmn *Rick Boucher* (D-VA) projected hope that the National Broadband Plan will lead to the plug-and-play promised land. Someday. "We have long tried to achieve the goal of mak-

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ing what we call navigation devices competitively available,” he told witnesses, including **NCTA** pres/CEO *Kyle McSarrow*. Boucher lauded the FCC’s goal for a plug-and-play option by the end of 2012. McSarrow said he supports the FCC inquiry and wants to work toward a gateway device. But he reiterated the industry’s opposition to any mandate.

Research Gems: Congrats to the 3 finalists in **CTAM**’s Research Case Study competition, which culminates with the announcement of a winner at the CTAM Research & Insights Conference during Spring Connection Week in L.A. Here’s a quick rundown: 1) **ESPN** – “Seven Principles of Cross Media Research”: In this case study, ESPN tackles consumer behavior in a multiplatform world and proposes a simple method of analyzing cross-media behavior, distilling basic principles that are consistent across sources. 2) **MTVN** – “Crossing the Line: Exposing Millennial Digital Abuse”: Here, MTVN dissects the growing problem of “digital abuse” among millennials, including such practices as “sexting,” cyber-bullying and digital dating abuse. 3) **Oxygen** – “Dance Your Ass Off/Crunch Partnership Study”: Oxygen conducts a study of its integration of the Crunch brand into its popular dance/fitness show “Dance Your Ass Off.” The partnership involved contestants working out with Crunch trainers in one of the Crunch studios and included other cross-promotional elements.

In the Courts: The **Sen Judiciary Cmte** passed a pair of bills Thurs: One would require **SCOTUS** to televise its oral arguments unless it votes to shut off the cameras due to fears of harming due process rights. The other would resolve that SCOTUS should allow such TV coverage. Longtime Supreme Court camera advocate **C-SPAN**, which has dedicated a portal to the issue at www.c-span.org/CamerasInCourt/default.aspx, was pleased. “It is encouraging to see the increasing number of Senators on the Judiciary Committee who share our view,” said corp VP/genl counsel *Bruce Collins* said in a statement. “It is consistent with C-SPAN’s polling which shows increasing public support for cameras in the court.”

Competition: **Fisher Comm** reported net 1Q TV rev of \$26.6mln (+31%) on a 19% rise in core ad rev and retrans rev of \$2.6mln, up from \$1mln a yr ago. -- **FIOS TV** added Cantonese channel **TVBe** and Korean net **SBS**.

In the States: **Delivery Agent** is leveraging its **Billion Dollar Babes** purchase to launch ent-based private shopping sales connected to fashions and goods featured on TV shows such as **Lifetime**’s “Project Runway” and awards programs including the **MTV Music Awards**. -- **Time Warner Cable** bowed a 4G wireless data service for businesses in TX, and plans to roll the service out to more markets this year. The MSO will launch RoadRunner Mobile for L.A. consumers late this year.

Earnings: **Viacom** achieved its 1st increase in domestic sales since 2Q08, posting 1% growth on a strengthening scatter market and continued ratings improvement at many of its nets. The co’s media nets segment earned \$1.94bln in rev, up 4% YOY, owing to higher affil fee rev as well as the ad rev increase, while its op income tallied \$684mln (+9%). “Our focus on reinvigorating **MTV**’s ratings generated results this quarter with the network not only delivering its highest rated quarter in nearly two years but also five of the top 15 original cable series in its target demographic,” said pres/CEO *Philippe Dauman* in a release. **MTV**’s audience grew 10% YOY, **Nickelodeon**’s 5% (driving the net’s biggest ever among total viewers) and **BET**’s 7%. -- **Lionsgate**’s preliminary results for fiscal ’10 ending Mar 31 includes adjusted EBITDA of more than \$115mln, a number that exceeds the co’s Feb outlook on the metric by more than half. LGF cited continu-

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Source: Beta Research, Brand Identity Study, 3/10
Among persons 25-54 Food Network #1, DIY and HGTV tied #2 and Travel #5

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HGTV

diy

food network

COOKING CHANNEL

Travel

GAC

BUSINESS & FINANCE

ing VOD growth as a key growth catalyst. -- **Motorola's** home segment shipped 3.1mln digital ent devices in 1Q and recorded a 18% dip in sales, to \$838mln, but operating earnings of \$20mln, compared to \$3mln a yr ago.

Standing O: Cable veteran *Ellen Schned* has landed at **Ovation** where she will take over as svp, distribution. She will head distribution strategy, including the upcoming launch of the net's HD channel and expansion of its VOD and LVOD services. Schned was previously svp, affiliate mktg and distribution at **CBS College Sports**.

Honors: Comcast svp, Western New England *Doug Guthrie* was inducted into the **CT Business Hall of Fame** and named "Business Leader of the Year" at a ceremony staged by the CT Laborer's Council.

On the Circuit: ESPN's *Neil Everett* and *Stan Verrett* will host **NAMIC's** annual awards breakfast May 13 in L.A.

People: Liberty Media elected former **Lifetime Ent** pres/CEO *Andrea Wong* a board member. -- **ESPN** promoted *Carol Stiff* to vp, programming.

Business/Finance: Lionsgate appealed the **British Columbia Securities Commission's** ruling against its shareholder rights plan that includes an anti-takeover measure, with a Canadian court to hear the case May 3. As a result, LGF postponed until May 12 the special shareholders meeting set to address the plan and *Carl Icahn's* \$7/share acquisition.

CableFAX Daily Stockwatch

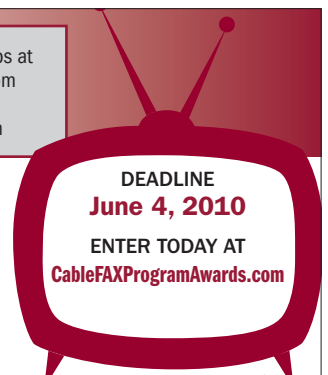
Company	04/29 Close	1-Day Ch	Company	04/29 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
AOL:	23.49	(0.47)	APPLE:	268.64	7.04
BRITISH SKY:	38.27	1.79	ARRIS GROUP:	12.58	0.14
DIRECTV:	36.54	0.83	AVID TECH:	15.15	0.23
DISH:	22.23	0.50	BIGBAND:	3.51	0.06
DISNEY:	37.22	0.93	BLNDER TONGUE:	1.23	0.14
GE:	19.49	0.54	BROADCOM:	35.76	0.35
NEWS CORP:	18.13	0.25	CISCO:	27.53	0.49
MSOS					
CABLEVISION:	27.45	1.00	CLEARWIRE:	7.70	(0.09)
COMCAST:	20.00	1.19	COMMSCOPE:	31.64	0.91
COMCAST SPCL:	18.92	1.09	CONCURRENT:	5.75	0.12
GCI:	6.29	0.07	CONVERGYS:	13.07	0.25
KNOLGY:	13.77	0.11	CSG SYSTEMS:	23.66	0.61
LIBERTY CAPITAL:	45.24	1.43	EHOSTAR:	19.35	0.15
LIBERTY GLOBAL:	27.64	0.54	GOOGLE:	532.00	2.81
LIBERTY INT:	15.81	0.51	HARMONIC:	7.07	0.17
MEDIACOM:	7.20	0.16	INTEL:	23.49	0.23
RCN:	14.70	(0.02)	JDSU:	13.51	0.36
SHAW COMM:	19.12	0.23	LEVEL 3:	1.53	(0.05)
TIME WARNER CABLE:	57.15	4.02	MICROSOFT:	31.00	0.09
VIRGIN MEDIA:	18.00	0.47	MOTOROLA:	7.16	0.24
WASH POST:	524.68	(0.35)	PHILIPS:	34.49	0.95
PROGRAMMING					
CBS:	16.46	0.38	RENTRAK:	22.39	0.61
CROWN:	1.91	0.02	SEACHANGE:	8.48	0.09
DISCOVERY:	37.50	1.25	SONY:	35.34	0.64
GRUPO TELEVISA:	20.68	0.48	SPRINT NEXTEL:	4.39	0.13
HSN:	32.72	0.95	THOMAS & BETTS:	42.29	0.84
INTERACTIVE CORP:	22.77	0.17	TIVO:	18.38	0.74
LIBERTY:	37.82	0.56	TOLLGRADE:	6.44	(0.01)
LIBERTY STARZ:	55.17	1.09	UNIVERSAL ELEC:	22.10	0.16
LIONSGATE:	7.00	0.13	VONAGE:	1.69	0.05
LODGENET:	6.84	0.23	YAHOO:	16.97	0.22
NEW FRONTIER:	1.98	(0.02)	TELCOS		
OUTDOOR:	7.10	0.18	AT&T:	26.14	0.23
PLAYBOY:	4.45	0.07	QWEST:	5.28	0.02
RHI:	0.36	(0.01)	VERIZON:	29.22	0.10
SCRIPPS INT:	44.68	0.58	MARKET INDICES		
TIME WARNER:	33.46	0.40	DOW:	11167.32	122.05
VALUEVISION:	3.14	0.03	NASDAQ:	2511.92	40.19
VIACOM:	39.70	0.68	TECHNOLOGY		
WWE:	18.50	(0.23)	ADC:	8.30	0.20
TECHNOLOGY					
ADDVANTAGE:	2.80	0.24	ALCATEL LUCENT:	3.24	0.11
AMDOCS:	32.23	0.96	AMPHENOL:	46.73	0.37

CableFAX PROGRAM AWARDS

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

April Flowers

Once again, ratings superlatives in cable abounded during an extended period, this time the month of Apr. A wealth of nets earned their best Apr or quarter ever (these records are becoming ridiculously commonplace), and we'll try to include some of those milestones in Mon's issue. For now, though, a few observations and/or comments about the month in cable programming: It's high time for a series fiesta on Wed nights. I'm sure programming execs are privy to this fact, but it bears noting that hump day evenings, at least during the early part of '10, exhibited an extreme dearth of compelling series, particularly regarding originals and vis a vis alternate nights. *Pres Obama's* Wed night Union Address scored highly among 1Q telecasts, as did devoted coverage by cable news nets, but beyond that little sparked viewers' intrigue. That is, except for syndicated eps of "NCIS" on **USA**, which also dominated the night in Apr as well. The net's "In Plain Sight" performed relatively well too, but where is the Wed competition?... The 230min duration of **ESPN's NFL Draft** telecast makes its Apr-leading 5.3/5.27mln even more impressive. Performing the same trick is the decidedly lackluster coverage, which was more disjointed than appealing. But hey, the prime format was new this year and **NFL Net's** wasn't world-beating either... Is it time to write off **CNN** as a cable news also-ran, what with continuing prime ratings challenges (0.5/473K) and little sign of a turnaround? Perhaps, but as the net has maintained for months there's much more to the story than the linear chapter. In Mar, for example, **CNN Digital** led all news/info Websites in total video streams and total usage, and its mobile property crushed all competitors in uniques. And dig this: **Collins Stewart** analyst *Thomas Eagan* said the net's ratings shortfalls likely won't meaningfully affect its rev or OIBDA because ads represent just 5% of its overall rev. *CH*

Highlights: "Sergio," Thurs, 8p, **HBO**. This is a documentary, also a love story, a tale of international politics, suspense, a eulogy and Iraq. Its center is the charismatic and handsome UN diplomat described as a cross between *James Bond* and *Bobby Kennedy*. Brazilian *Sergio De Mello* dedicated his professional and personal life to human rights and was known throughout the diplomatic community as the go-to guy, a senior official but a man of the people who could enter the worst situations and work miracles. After 30 years, he'd decided on a last assignment. But that gig was near impossible: serving in Iraq in '03 as the UN's special emissary. What happened next is tragic on so many levels and makes for riveting and emotional viewing. *SA*

Worth a Look: "River Monsters," Sun, 10p, **Animal Planet**. Last week's premiere of this dangerous fish series was AP's top-ranked premiere. This week, seemingly calm *Jeremy Wade* hunts carnivorous Snakeheads. Cue the Shark Week music. -- "Sunset Daze," Wed, 10p, **WE**. Judging by this reality series, the main activity of retirees in Surprise, AZ, is, yep... sex. What a hoot. -- "Worlds Toughest Fixes," Thurs, 9p, **Nat Geo**. Ever wonder how ski lifts get built? Rigger *Sean Riley* tells you as the Cody, WY, lift is erected and (thank goodness) tested. *SA*

Basic Cable Rankings (3/29/09-4/25/09) Mon-Sun Prime			
1	USA	2.3	2303
2	DSNY	1.7	1730
3	TNT	1.6	1609
4	FOXN	1.5	1492
5	NAN	1.4	1423
5	HIST	1.4	1357
7	ESPN	1.3	1337
7	TBSC	1.3	1307
9	TOON	1.1	1085
9	A&E	1.1	1056
11	DISC	1	999
12	HGTV	0.9	923
12	LIFE	0.9	914
12	SYFY	0.9	868
12	FX	0.9	852
12	TRU	0.9	841
17	FAM	0.8	810
17	FOOD	0.8	797
17	CMDY	0.8	756
17	TLC	0.8	748
17	NKJR	0.8	557
22	AMC	0.7	700
22	MTV	0.7	695
22	SPK	0.7	646
22	MSNB	0.7	644
22	LMN	0.7	568
27	TVLD	0.6	612
27	BRAV	0.6	596
27	HALL	0.6	563
27	BET	0.6	559
31	ESP2	0.5	521
31	EN	0.5	473
31	CNN	0.5	473
31	APL	0.5	456
31	OXYG	0.5	345
31	VS	0.5	294
37	HLN	0.4	447
37	VH1	0.4	421
37	NGC	0.4	313
37	WGNA	0.4	271
37	SOAP	0.4	266
37	ID	0.4	260
37	GSN	0.4	258
37	TV1	0.4	178
45	TTC	0.3	330
45	CMT	0.3	276

*Nielsen data supplied by ABC/Disney

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