

CableFAX Daily™

Tuesday — August 10, 2010

What the Industry Reads First

Volume 21 / No. 153

Hitting the Wall: DISH's Recent Sub Acceleration Stalls in 2Q

Presumably due to sub losses, investors balked at DISH's 2Q results Mon and scurried to unload the DBS op's shares, which shed 10.2% on a more than 5-fold volume increase. Viewed through sequential comparison, DISH's 747K gross adds and net sub loss of 19K appear particularly stark. As both metrics missed estimates, they underperformed last Q's corresponding numbers of 833K gross adds and 237K net, as well as the net add tallies of 3Q09 (241K) and 4Q09 (249K). Churn rose to 1.78% versus 1.40% in 1Q. While evp, corp dev *Tom Cullen* noted a "maturing sector" that's "very competitive" along with a work-in-progress balancing of customer growth and profitability as among the reasons for the sub losses, 1 other theme kept cropping up ominously. "We're not seeing any significant evidence of a robust [economic] recovery, or a recovery at all," said Cullen. "The general economic environment is not helping us one bit." *Sanford Bernstein's Craig Moffett* issued a mixed take on DISH's quarter. "Without any product diversification beyond video, the satellite model is a simple one; grow revenues through subscriber growth and ARPU increases, and offset video margin compression by reducing non-programming costs through scale," said Moffett. "A subscriber loss calls all of that into question." Yet Moffett also applauded the DBS op's financial metrics including increased ARPU (+3%), and tempered the co's disappointing results with a sobering summation of pay TV's Apr-June period. "Overall, the industry majors (the public Cable MSOs + Satellite + TelCo TV) reported an aggregate loss of—3K subscribers... down sharply from last year's Q2 gain of 426K, which was boosted by the Digital TV transition," he said. "This is, to our knowledge, the first quarterly loss of subscribers ever reported for the industry as a whole." That framework points to Cullen's market maturation avowal, of course, and perhaps underscores ops' current focus on tech devices and apps as service differentiators. As such, DISH is working diligently on new **Sling**-based products and services to push the **TV Everywhere** concept, and hopes to develop **Android**-based apps through its partnerships with **Google**, said Cullen, who also highlighted a "very meaningful increase in HD attach rate, plus DVR attach rate" stemming from its Free HD For Life promo. Broadband connectivity is also important, he said, adding that PPV performed particularly well in 2Q and that ad sales grew by 20% YOY. Going forward, DISH will continue to position itself as the "best [darn] video experience... in the country," said Cullen, while using ads

Capitalizing on Transactional TV

VOD ■ SVOD ■ Pay Per View

CableFAX Webinar
August 25, 2010
1:30 – 3:00pm (ET)

In this Webinar, we'll tackle the following areas:

- What is the best mix of screens and content to boost your revenue?
- What marketing techniques work best to optimize buzz for transactional offerings?
- What 3 steps operators can take to augment revenue from transactional TV and make it a must-use part of subscribers' cable experience?
- What's ahead in windowing and how can you plan for those future trends?
- How can you tap into the growing ethnic market for transactional TV?

17852

Register Today at www.cablefax.com/webinars

MARKETING SOLUTION NO. 289

MEDIACOM AND BRAVO CSR INCENTIVE PROGRAM AUGUST - SEPTEMBER 2009

CHALLENGE

Motivate Mediacom reps to exceed their sales goals and encourage better attendance at call centers.

SOLUTION

NBC Universal TV Networks Distribution developed a themed Top Chef incentive program. The top producers during the incentive period and team members with the best attendance records vied for a fabulous trip to Las Vegas, courtesy of Bravo and Top Chef.

RESULT

September RGU sales increased year over year. Absentee rates fell during the incentive timeframe, delivering higher phone answer rates and lower overtime.

“A GREAT EXPERIENCE THAT WENT VERY SMOOTHLY. WE LOOK FORWARD TO WORKING WITH THE TEAM AGAIN.”

TAPAN DANDNAIK
SVP, CUSTOMER SERVICE & FINANCIAL OPERATIONS
MEDIACOM COMMUNICATIONS CORP.



our networks work.

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax: 301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 301.354.1790, mgrebb@accessintel.com ● Assoc Editor: Chad Heiges, 301.354.1828, cheiges@accessintel.com ● Asst VP, Ed Director: Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 301.354-1695, dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Marketing Dir: Carol Brault, 301.354.1763, cbrault@accessintel.com ● Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

focused more on branding than direct response.

Net Neutrality: Google and Verizon intro'd Mon a legislative framework proposal the pair hopes will preserve an open Internet and the markets it supports, protect consumers and promote continued investment in broadband access. Among bullet points: the **FCC** would publish an annual report on the effect of any Internet access service's differentiated services and "immediately report" any that it finds to threaten equal access to the Web or are anti-consumer; the Commission would enforce the consumer protection and nondiscrimination requirements of the proposal through case-by-case adjudication; and wireless broadband would be subject to fewer rules "because of the unique technical and operational characteristics of wireless networks. For more info, go to googlepublicpolicy.blogspot.com/2010/08/joint-policy-proposal-for-open-internet.html. -- **Public Knowledge** wants consumers to contact members of Congress and demand that the FCC defend the open Internet right now, and has posted a form letter at its Website to facilitate the process. "The course of action couldn't be more clear: the FCC needs to do the right thing and protect broadband users," said PK. **Free Press** skewered the Google-Verizon proposal and asked lawmakers to reject it. "Google and Verizon can try all they want to disguise this deal as a reasonable path forward, but the simple fact is this framework, if embraced by Congress and the Federal Communications Commission, would transform the free and open Internet into a closed platform like cable television," said Free Press political adviser *Joel Kelsey*.

Earnings: This earnings season has proven that it's a pretty darn good time to be a cable programmer—and **Scripps Nets'** results only reinforced the notion. The co's lifestyle media segment achieved 36% rev growth, powered by a 27% increase in ad rev and a whopping 73% surge in affil rev due mainly to the new carriage agreements struck for **HGTV** and **Food Net** late last year. As operating rev expanded for all nets, including HGTV (+6.2%), Food (+35%), DIY Net (+26%), **GAC** (+26%), **Travel Channel** (+13%) and **Cooking Channel** (+24% compared to **Fine Living**), Scripps touted its own upfront performance and the future prospects for both Cooking and Travel, which is nearly fully integrated. CFO *Joe NeCastro* said 2Q scatter pricing grew from the mid- to high-teens versus '09 scatter pricing and 25% over this year's upfront, and Scripps Nets pres *John Lansing* noted respective YOY upfront volume gains for Travel and Cooking (vs. Fine Living) of approx 60% and 90%. And execs believe Travel still has ample headroom for improvement, as does the nets' overall affil rev despite the big upticks owing HGTV and Food. 1 downside was interactive rev, which slipped 9% as ad rev fell 3%, although Lansing said digital ads have picked up in the last 3 weeks. -- **Liberty Media** said **Starz Ent** upped rev by 4% in 2Q to \$308mln despite respective avg sub unit decreases at **Starz** and **Encore** of 3% and 1%. Op income rose by 11% while adjusted OIBDA inched up 2%. **Liberty Starz Group** expanded rev by 4% to \$311mln, and op income jumped 28%. Meanwhile, **QVC's** stateside rev grew 4% to \$1.2bln as adjusted OIBDA increased 10% to \$303mln. -- **EchoStar** delivered a 57.4% surge in total rev to \$603mln yet reported a net loss of \$41mln, compared to net income of \$102mln a year ago.

TCA Notebook: **AETN** gave critics what they really wanted during their afternoon session on Fri: Wine. But beyond that, they also showed off some new programs. Novelist *Brad Meltzer* told critics that he's not trying to find the ultimate truth behind the nation's mysteries in his new **History** show "Decoded" (4Q, '10), but he hopes to shed new light on the kind of questions raised by movies like *National Treasure* and *The Da Vinci Code*. "We don't want to be in the situation where it's *Al Capone's* vault," he said, emphasizing that the show's roving researchers will dig until they get answers. "It really takes you on the journey with them," he said. There were plenty of shows moving from Britain to the U.S. at TCA. And one is **History's** "Top Gear" (Q4), the automobile series that's been a hit on **BBC America**. History will reprise it, replacing fun-loving British hosts with a trio led by actor/comedian *Adam Ferrara* of "Rescue Me." Other than that, the BBC-History co-prod will stick to the original's proven formula says exec prod *John Hesling* of the BBC. That includes ridiculous stunts like trying to jump a Cadillac over back road hills to mimic a moonshine run and courting danger along the way. "Well, it's the budget," quipped Ferrara. "We have a choice between safety and craft services." -- Meanwhile, critics were impressed with actors *Lisa Rinna* and *Harry Hamlin's* honesty regarding their 6-ep "Harry Loves Lisa" reality series (**TV Land**, Oct 6). Rinna insists HLL will be more creative than "just laying out our lives... it's more of a journey we're taking," she says. And they acknowledge it's also about publicity. Middle age actors can't wait for the

phone to ring, Rinna says. “We have to be more proactive.” The hook is they are an unlikely couple—he’s reserved, she’s not. Meanwhile, *Brooke Burke* will host a new season of TV Land’s “She’s Got The Look” (Aug 25) the beauty contest for women 35+. She and judge (and former supermodel) *Roshumba* insist they’re looking for “a well-rounded, healthy woman,” so more than beauty alone is required. Despite the honesty theme Burke and Roshumba touted, TCA critics were peeved when the two were reluctant to reveal their ages. – An incredible story. 12-year-old *Lucas Cruikshank* creates an alter ego character Fred Figgleshorn and puts Fred’s adventures on YouTube. Four years and 500mln views later Fred’s full-length movie lands on **Nickelodeon** (“Fred: The Movie,” Sept). TV Land’s development evp *Keith Cox* said ratings for “Hot in Cleveland” have prompted the net to continue to do scripted comedies for the 40+ demo. In development is “Retired at 35,” starring *George Segal* and *Jessica Walter*.

Still Snookin’: Know one thing, “Jersey Shore” fans: There will be a Snooktionary. Oh yes there will! That and other worldly revelations came out of the mouths of **MTV’s** Jersey Shore cast, which on Fri answered critics’ questions about Season 2 (premiered Jul 29) at TCA in a sometimes cacophonous chorus. *The Situation* talked about his planned protein-infused vodka drink. *Snooki* talked about “snookin’” (you don’t want to know). And new cast member *Deena Nicole Cortese* announced that she’s an “upgrade” to the show. Interestingly, they all said the fame hasn’t changed them. Except for the appearance fees, reality paychecks and, of course, the Snooktionary, which is apparently hitting bookstores soon. Only in America. Meanwhile—and despite the ratings success of unscripted reality fare like “Jersey Shore”—MTV evp, scripted development *David Janollari* revealed plans to make 6-8 scripted pilots per year, with “half or more” going on the air. Among the first is “Teen Wolf” (early ’11), a series that reimagines the ‘80s movie as a darker, Twilight-esque and slightly less hairy teen angst-fest. Exec producer *Jeff Davis* said it’s the kind of show made for cable where supernatural fare plays better. Another series: “Skins” (premieres 1Q, ’11) based on the British hit largely written by actual teens. MTV’s American version will also draw from young writers. “All the time we have teenagers in the room with us,” said exec producer *Bryan Elsley*. “We love American teen drama, and we worship at its feet.”

Starz Power at TCA: The *Chris Albrecht* era has definitely arrived at **Starz**, with the once original-starved net continuing to ramp up its slate with bigger and more expensive projects. Next up: “Camelot” (spring ’11), which updates the King Arthur story into an epic tale “full of Machevellian machinations” as a young Merlin (*Joseph Fiennes*) orchestrates events that drive Arthur’s mythical rise to power, said Fiennes. The actor said he’s excited about pay cable and “loving the fact that there are no commercial breaks... I’m loving that we’re free from that.” Also on deck is the much-anticipated reimagining of **BBC/BBC America** hit “Torchwood” (summer ’11), which Starz will tackle in partnership with **BBC Worldwide**. Exec producer *Russell Davis* said the new version will be more global and play with the mythology of the original series. “There’s a lot of sparks, a lot of excitement,” he said. And exec producer *Julie Gardner* said the scripts will tightly move from place to place. “There’s no flab,” she said. “Everything really moves fast and is packed with stories.” Finally, Starz brought out *Steven DeKnight* to talk about his “Spartacus” prequel (Jan ’11), which was conceived after Season 1 star *Andy Whitfield* began cancer treatment and couldn’t yet participate in shooting Season 2. “It was an unfortunate circumstance, but I think we’ve made the most of it,” said DeKnight, adding that Whitfield is doing well and recovering. “Andy looks better than I’ve ever looked in my life.” Whitfield starts shooting Season 2 in Nov, and DeKnight also told critics that *Lucy Lawless* will be back even though she appeared to die in the season finale “I was thinking she was still twitching at the end of Season 1, if you look,” he said.

Editor’s Note: Lots of good stuff and not enough space... so look for more TCA coverage in the Wed issue.

Online: According to the *L.A. Times*, **Epix** is in talks to cede **Netflix** exclusive online rights to films from all 3 of the net’s equity partners, **Paramount Pictures**, **Lionsgate** and **MGM**.

Competition: Available today on the **iPhone** and coming soon to **Blackberry Torch**, **U-verse Mobile** allows U-verse TV subs to manage their home DVRs and download TV shows on their smartphones. The latter service is only available to customers that receive the telco’s U300 package and above.

In the States: **Trinity Comm** launched triple play services in Marion and Sequatchie County, TN, through an all-fiber network provided by **Arris**.

In the Courts: **Liberty Media** and a subsidiary filed a suit in the DE Court of Chancery against **The Bank of NY** in the institution’s capacity as trustee under the indenture governing the subsidiary’s public indebtedness. Along with injunctive relief, the suit seeks a declaratory judgment that the previously announced plan to split off the businesses, assets and liabilities currently attributed to Liberty Media’s **Liberty Capital** and **Liberty Starz** tracking stock groups

BUSINESS & FINANCE

will not constitute a disposition of all or substantially all the assets of the subsidiary under the indenture.

Programming: Time Warner

Cable signed on to feature **Turner Sports/PGA of America's 3D coverage** of this week's **PGA Championship** in select markets on Thurs and Fri. Turner's slated to provide 20 hours of exclusive coverage overall. -- **Planet Green** ordered a 2nd season of "The Fabulous Beekman Boys," which premiered in June. -- **RLTV's** new travel series "Stanley On the Go" (Tues) features host *Stanley Siegel's* informative and often irreverent commentary as he journeys across 5 continents to places including Paris and Pamplona.

On the Circuit: WICT named **Food Net** pres *Brooke Johnson* the winner of its '10 Woman of the Year award and **Turner** svp, network ops *Veronica Sheehan* the '10 Woman to Watch award recipient. The honors will be presented at WICT's Touchstones Luncheon, Sept 13 in NYC.

People: Robert Read was upped to svp, worldwide HD marketing, **Universal Studios Home Ent** and **Universal Pictures Intl Ent.**

Business/Finance: Skype filed a registration statement with the **SEC** for a proposed IPO of its ordinary shares. The number of shares to be offered and the price range for the offering haven't been determined.

CableFAX Daily Stockwatch

| Company | 08/09 Close | 1-Day Ch | Company | 08/09 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 38.97 | 0.36 | ARRIS GROUP: | 9.63 | 0.12 |
| DISH: | 18.72 | (2.12) | AVID TECH: | 12.90 | (0.04) |
| DISNEY: | 35.16 | 0.16 | BIGBAND: | 2.89 | (0.02) |
| GE: | 16.38 | (0.07) | BLNDER TONGUE: | 2.05 | (0.04) |
| NEWS CORP: | 15.77 | 0.00 | BROADCOM: | 36.84 | 0.38 |
| MSOS | | | | | |
| CABLEVISION: | 27.20 | 0.46 | CISCO: | 24.77 | 0.70 |
| COMCAST: | 18.73 | 0.09 | CLEARWIRE: | 6.37 | (0.08) |
| COMCAST SPCL: | 17.56 | 0.00 | COMMSCOPE: | 22.58 | 0.53 |
| GCI: | 9.53 | 0.20 | CONCURRENT: | 4.97 | 0.02 |
| KNOLOGY: | 12.81 | 0.17 | CONVERGYS: | 10.11 | (0.01) |
| LIBERTY CAPITAL: | 48.01 | 1.01 | CSG SYSTEMS: | 19.33 | 0.29 |
| LIBERTY GLOBAL: | 29.54 | 0.05 | ECHOSTAR: | 19.65 | (0.67) |
| LIBERTY INT: | 12.04 | 0.55 | GOOGLE: | 505.35 | 5.13 |
| MEDIACOM: | 7.19 | (0.01) | HARMONIC: | 6.93 | 0.13 |
| RCN: | 14.95 | 0.03 | INTEL: | 20.65 | 0.00 |
| SHAW COMM: | 20.45 | 0.06 | JDSU: | 11.48 | 0.09 |
| TIME WARNER CABLE: | 56.63 | 0.82 | LEVEL 3: | 1.12 | (0.04) |
| VIRGIN MEDIA: | 21.72 | (0.02) | MICROSOFT: | 25.61 | 0.06 |
| WASH POST: | 384.85 | 7.29 | MOTOROLA: | 7.98 | (0.02) |
| PROGRAMMING | | | | | |
| CBS: | 15.55 | 0.19 | RENTRAK: | 25.70 | (0.14) |
| CROWN: | 2.32 | 0.09 | SEACHANGE: | 8.88 | 0.19 |
| DISCOVERY: | 38.22 | 0.03 | SONY: | 31.70 | 0.03 |
| GRUPO TELEVISA: | 19.75 | 0.02 | SPRINT NEXTEL: | 4.58 | 0.13 |
| HSN: | 28.27 | (0.18) | THOMAS & BETTS: | 39.87 | 0.02 |
| INTERACTIVE CORP: | 25.11 | 0.06 | TIVO: | 8.90 | 0.22 |
| LIBERTY: | 38.55 | 0.57 | TOLLGRADE: | 6.65 | 0.10 |
| LIBERTY STARZ: | 54.66 | (0.22) | UNIVERSAL ELEC: | 18.47 | 0.09 |
| LIONSGATE: | 6.58 | 0.10 | VONAGE: | 2.36 | 0.03 |
| LODGENET: | 3.10 | (0.04) | YAHOO: | 14.40 | 0.06 |
| NEW FRONTIER: | 1.40 | (0.08) | TELCOS | | |
| OUTDOOR: | 5.79 | 0.44 | AT&T: | 26.86 | 0.32 |
| PLAYBOY: | 5.40 | 0.03 | QWEST: | 5.70 | 0.01 |
| SCRIPPS INT: | 44.44 | (0.38) | VERIZON: | 29.86 | 0.31 |
| TIME WARNER: | 32.60 | 0.24 | MARKET INDICES | | |
| VALUEVISION: | 1.71 | (0.07) | DOW: | 10698.75 | 45.19 |
| VIACOM: | 37.88 | 0.08 | NASDAQ: | 2305.69 | 17.22 |
| WWE: | 15.03 | (0.35) | TECHNOLOGY | | |
| TECHNOLOGY | | | | | |
| ADC: | 12.72 | 0.01 | | | |
| ADVANTAGE: | 2.92 | 0.02 | | | |
| ALCATEL LUCENT: | 2.98 | 0.01 | | | |
| AMDOS: | 28.26 | (0.1) | | | |
| AMPHENOL: | 45.71 | 0.71 | | | |
| AOL: | 22.61 | 0.17 | | | |
| APPLE: | 261.75 | 1.66 | | | |



BECOME A PART OF CABLE HISTORY!

The Barco Library houses the largest collection of cable equipment, photographs, and marketing and promotional materials in the industry. We are currently looking to augment our collection from the 1990s to now, from single items up to entire collections.

For more information, contact Lisa Backman call 303.871.4679 or email lbackman@cablecenter.org

THE CABLECENTER
THE BARCO LIBRARY

EYE ON ADVERTISING

The Case for Cable

Brent Poer cut his teeth building integrated marketing programs at Lifetime. Now svp at MediaVest USA, which handles media for Wal Mart among other clients, he's working the deal from the other side. He tells Cathy Applefeld Olson how networks can maximize their opportunities with ad clients as the wall between cable and broadcast continues to crumble.

What's changed in the cable advertising world since your Lifetime years?

BP: When I was on the network side, there was still that chasm—or at least a perceived chasm—between broadcast and cable. We had to be more innovative to capture a certain share of the dollars. We had to be scrappy. Now cable is looked at as a place where you know there are increasing opportunities for partnership and creativity. We've finally got to a place where, while broadcast does move first, it's not like we're going to hold back dollars from cable.

What do agencies not understand about the way networks operate vis a vis advertising?

BP: It's more the clients, and their overall expectations. With certain brands and certain categories, there's still the perception broadcast might have a better viewer or consumer, but if you actually do research and look at the concentration of certain types of viewers that may have certain inclinations to go see a movie or buy a car or buy a certain cosmetic, you've got that same consumer on cable. And actually you probably get a better target there vs. a scatter shot on broadcast.

Cable offers a concentration of niche viewers. And clients increasingly are looking to target their dollars, right?

BP: Broadcast casts the widest net but cable, because they are niche networks, allows you to really

hyper-target so you're not putting a lot of waste out there. We are quickly moving down the targeting funnel to try to understand more about who is our consumer, how do we want to talk to them, and how are we going to activate and motivate them? All clients are looking for ROI. Awareness is great, but people want their dollars to be more effective and see that cash register ring. Really broad targeting doesn't really work any more.



What can the networks do better?

BP: "Selling" is such a tough word. We're looking for a partner to use their network, and some of their stars, as a voice to endorse what we're promoting. It's a challenge on both sides: For the agency, to make it feel holistic and not like a commercial; and for the network, to not just throw some clips at us. The folks at the cable networks have always had to be scrappy, and we challenge them to continue to be so, to find different ways to capture the imagination of the consumer.

Anything else?

BP: There's also a misperception that ideas get lost at the agencies, or they're not appreciated. Every time a network goes with an idea they are passionate about, it only creates a bond with a buyer that will lead to the next thing. I've seen plenty of pitches and presentations that for some reason don't go any further, but that only builds the relationship. So I'd say, keep going. Not everything's going to sell through, but don't be afraid to look at something from every facet and be innovative. Most clients are looking for something where they can put the word "first" in it.

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

Most **CableFAX's**
Powerful Women
2010 in Cable

Nominations Due: **Friday August 13, 2010**
Nominate Now at: www.cablefax.com/2010powerfulwomen

Who are cable's most powerful women executives?

Help us decide by nominating the executives you think should be included in our annual list of the Most Powerful Women in Cable. We will rank the top 50 most powerful women, and run a list of the second 50, in the November 2010 issue of CableFAX: The Magazine. Nominations are open to all cable operators, programmers, vendors and trade associations.

Questions: Jessica Clegg at jclegg@accessintel.com

Advertising Information:

Debbie Vodenos, Publisher, dvodenos@accessintel.com or 301.354.1695
Amy Abbey, Associate Publisher, aabbey@accessintel.com or 301.354.1629

Publication Date: November 2010