

# CableFAX Daily™

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What the Industry Reads First

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## Pick Us! Pick Us!: DISH Gains Subs With Help of Marketing Change

In recent quarters, DISH has often zigged where other multichannel providers have zagged. So, it should come as little surprise that the DBS op reported relatively strong 2Q sub metrics yet sluggish financials—and accordingly reaped a 4.8% share price gain even as cable MSOs have received a boost on Wall St recently for comparatively inverted results. Popping off DISH's page were 26K net sub adds—the 1st such increase in 5 quarters—and churn of 1.73%, marking the metric's 1st decline in 2 years. Gross adds and ARPU also improved. Execs cited the DTV transition and completion of the company's Smart Card implementation as positive drivers, although new sales and marketing initiatives perhaps played the largest role. "We've changed our approach in advertising [by] really trying to reintroduce the comparative value of DISH," said evp *Tom Cullen*. As customers continue to tighten belts amid a troubled economy, he said, their value search comes with a demand for maximum information about provider offerings. DISH obliged with its new marketing thrust, but at a notable cost: sub acquisition costs rose 4.5% YOY and 33% sequentially. Add to the mix flat sequential rev of \$2.90bln and net income of \$63mln, compared to \$313mln in 1Q, and **Sanford Bernstein** analyst *Craig Moffett* believes investors' sub-based myopia is misguided. "At first glance, it's tempting to view Dish Network's 2Q results as a clear win," he said. "Unfortunately, the cost structure—usually a strength for Dish Network—wasn't as good." For example, DISH's operating cash flow and earnings missed analysts' estimates. **TiVo** litigation costs helped to deplete earnings, but execs expressed optimism that the **US Patent and Trademarks Office's** recent decision (*Cfax*, 8/5) helps support the legality of DISH's patent workaround and should lead the case judge to at least toss out TiVo's request for \$1bln in contempt sanctions. Despite bottom-line regression, **Wells Fargo Securities** analyst *Marci Ryvicker* echoed Wall St's bullish view of DISH's results. "The significant beat in both net adds and churn are a significant positive for the stock," said Ryvicker. She did note elevated promotion costs, however, and separately outlined new promos from DISH, including a \$15/month discount off its 5 Classic packages for 1 yr with a 2-yr contract. The prices of 3 packages were raised by \$5/month. Also notable: DISH is testing a mobile video product in 1 US market and its 2Q ad rev improved.

**Competition:** **FiOS** expanded its VOD offering with **Disney Family Movies**, **AMC's** "Mad Men" and **HSN**. Also,

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Source: The Nielsen Co., Live Data, P/W 25-54, M-Su 8P-11P. (1) 8/2/09, All Broadcast/Ad-Supported Cable regularly scheduled programs, Cvg AA%. (2) All NFNS historical telecasts, (000). (3) 8/2/09 vs. All daily FN primetime viewing, (000). (4) 2Q09 vs. All FN historical quarters, (000). Subject to qualifications upon request.

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new-release films from **20th Century Fox** will now be available in HD. Other new offerings include Spanish-language shows from **Univision**, **Telefutura** and **Galavision**, a variety of films from **Cinetic Film Buff** and old movies from **American Pop Classics**. -- According to reports, **AT&T** reached a tentative, 3-year contract deal with its **Western Division**, including CA and NV. The telco's contract with its Southeast div (23K employees) expired Sat night, but talks are continuing. -- **DirectTV** is set to complete its own interactive golf grand slam this week by offering expanded coverage surrounding the **PGA Championship** (Thurs-Sun). 4-channel coverage will supplement the HD broadcasts of **TNT** and **CBS**, and interactive content includes leaderboards and tourney trivia.

**At the Portals:** The **FCC Enforcement Bureau's** comments in **MASN's** programming complaint against **Comcast** went public Mon, confirming that the Bureau has not recommended mandatory carriage for the net (**Cfax**, 8/4). In recommending that an administrative law judge deny **MASN's** claim, the Bureau said **MASN** failed to show that Comcast denied carriage to the markets of Harrisburg, PA, and Lynchburg, VA, to promote its own **Comcast Sports Net**. "The carriage history of the Baltimore Orioles and Philadelphia Phillies in Harrisburg belies **MASN's** contention that Comcast denied carriage of **MASN** in the Pennsylvania capitol because it intended to turn Harrisburg into a "Philadelphia Phillies Town" when it lost the rights to the Baltimore Orioles," the Bureau said. ALJ *Richard Sippel* still must make a ruling, on which the full Commission must vote. -- Wed's **FCC** wired deployment staff workshop on the development of the **National Broadband Plan** includes **Cox's Dallas Clement** and **Sanford Bernstein's Craig Moffett** as speakers. The wireless panel that afternoon includes **Cox** vp, wireless **Stephen Bye** and **Verizon Wireless' Tom Sawanonbori**. Thurs' fixed broadband technologies panel includes Comcast exec dir, Internet engineering *Jason Livingood*.

**Carriage:** **RCN** agreed to launch **mun2** on expanded basic in NY, Philly, Boston, Washington, DC, and Chicago, and on digital basic in Lehigh Valley, PA. The adds will occur Wed to coincide with the net's Mexico-US World Cup qualifier coverage, which will be available to 67mln multichannel subs as part of a 1-day preview being offered by **NBCU** to partners including **Comcast**, **Time Warner Cable**, **AT&T** and **DirectTV**.

**Earnings:** **EchoStar's** 2Q revenue dropped nearly 21% YOY to \$383mln due to lower sales of set-tops and revenue per box. An investment gain more than doubled profit for **EchoStar**, which provides boxes and other services primarily to sibling **DISH Network**. Net income for the Q totaled \$102mln from \$48mln a year ago.

**Technology:** At **CableLabs' Summer Conference Innovation Showcase**, cable operators voted **PrimeSense's** 3D sensing chip as the best new idea for a product in an informal poll. The chip resides in a camera that would plug into a set-top USB port. The camera could sense whether someone was in front of the TV, how many people were there, whether they were adults or children, etc. **PrimeSense** is a chip maker, so it would open up application development to others. The device also would enable touch screen TV navigation from the sofa—meaning users could touch a virtual screen in the air, instead of having to get right in front of their TV sets. **PrimeSense**, which is talking to just about any industry with a link to living rooms, hasn't announced customers publicly, but vp, sales & marketing for **N America Suneil Mishra** said he hopes for some announcements next Q. "It's ready for mass production right now," he said. 11 companies presented in the showcase. Several themes emerged, including some approaches for integrating social networking capabilities into cable TV from companies such as **Alcatel-Lucent** and enabling the TV Everywhere concept, with **Elemental Technologies** presenting a solution that increases the processing power to

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# BUSINESS & FINANCE

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**Programming:** Lionsgate inked a distribution deal with **The Jim Henson Co** covering more than 350 content hours and including the VOD platform. -- **TNT** greenlit a 2nd season of "Hawthorne." -- *Don Imus* is in talks with **Fox Business News** about a simulcast of his radio show, according to sources. Rival **MSNBC** used to host the show but cut ties in '07 after the shock jock's derogatory comments about female basketball players. **RFD-TV** has simulcast the show since Dec '07. -- **Comcast SportsNet Mid-Atlantic** and the **Washington Redskins** expanded their exclusive media and marketing partnership. CSN will be the exclusive Redskins HD provider for preseason games. The RSN also will add an exclusive interview with head coast *Jim Zorn* every Mon at 5:45pm. -- *Karen Saunders* will join **BET** as sr producer of "BET News In-Depth." *Jason Samuels* has joined as sr series producer of "Heart of the City."

**On The Circuit:** **NAMIC** has extended the deadline for its **Excellence in Multicultural Marketing Awards** to Aug 14. Winners will be profiled in *CableFAX The Magazine* and honored during NAMIC's conference in Denver during Cable Connection-Fall. Entries can be submitted via [www.namic.com](http://www.namic.com).

**People:** **HGTV** tapped *Anna Gecan* as vp, original programming, effective Sept 1.

## CableFAX Daily Stockwatch

Company	08/10 Close	1-Day Ch	Company	08/10 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	35.41	(0.65)	APPLE:	164.72	(0.79)
DIRECTV:	24.15	(0.54)	ARRIS GROUP:	12.69	(0.08)
DISH:	19.30	0.88	AVID TECH:	12.57	(0.28)
DISNEY:	26.44	(0.25)	BIGBAND:	3.96	(0.04)
GE:	14.57	(0.13)	BLNDER TONGUE:	1.21	(0.1)
NEWS CORP:	13.09	0.04	BROADCOM:	27.22	(0.52)
<b>MSOS</b>					
CABLEVISION:	20.86	(0.58)	CISCO:	21.64	(0.55)
COMCAST:	15.00	0.04	CLEARWIRE:	8.23	0.22
COMCAST SPCL:	14.34	(0.13)	COMMSCOPE:	26.15	(0.28)
GCI:	6.89	(0.03)	CONCURRENT:	5.08	(0.01)
KNOWLOGY:	8.67	(0.05)	CONVERGYS:	10.83	0.12
LIBERTY CAPITAL:	17.14	0.00	CSG SYSTEMS:	16.17	0.01
LIBERTY ENT:	26.95	(0.53)	ECHOSTAR:	15.97	1.17
LIBERTY GLOBAL:	21.87	0.03	GOOGLE:	456.61	(0.49)
LIBERTY INT:	9.07	0.69	HARMONIC:	6.59	(0.12)
MEDIACOM:	5.70	(0.05)	INTEL:	18.76	0.26
SHAW COMM:	17.27	(0.29)	JDSU:	5.93	(0.06)
TIME WARNER CABLE:	35.23	(0.02)	LEVEL 3:	1.23	0.03
VIRGIN MEDIA:	11.14	(0.13)	MICROSOFT:	23.42	(0.14)
WASH POST:	479.00	3.72	MOTOROLA:	7.17	0.04
<b>PROGRAMMING</b>					
CBS:	11.13	0.32	OPENTV:	1.37	(0.02)
CROWN:	1.75	(0.12)	PHILIPS:	23.25	(0.17)
DISCOVERY:	25.46	(0.25)	RENTRAK:	17.84	0.25
EW SCRIPPS:	7.76	2.30	SEACHANGE:	9.79	0.13
GRUPO TELEVISIA:	18.99	0.60	SONY:	28.65	0.31
HSN:	11.66	(0.07)	SPRINT NEXTEL:	3.71	(0.08)
INTERACTIVE CORP:	18.50	0.01	THOMAS & BETTS:	27.27	(0.61)
LIBERTY:	31.97	0.26	TIVO:	10.39	(0.1)
LODGENET:	6.20	0.30	TOLLGRADE:	5.70	0.15
NEW FRONTIER:	2.18	(0.01)	UNIVERSAL ELEC:	19.51	(0.86)
OUTDOOR:	7.51	0.11	VONAGE:	0.39	(0.01)
PLAYBOY:	2.48	0.01	YAHOO:	14.63	0.01
RHI:	2.36	(0.21)	<b>TELCOS</b>		
SCRIPPS INT:	34.10	0.10	AT&T:	25.58	(0.04)
TIME WARNER:	28.25	(0.09)	QWEST:	4.05	0.03
VALUEVISION:	3.56	(0.04)	VERIZON:	30.92	(0.16)
VIACOM:	26.47	0.15	<b>MARKET INDICES</b>		
WWE:	14.73	0.24	DOW:	9337.95	(32.12)
<b>TECHNOLOGY</b>					
3COM:	4.00	0.00	NASDAQ:	1992.24	(8.01)
ADC:	7.24	(0.11)			
ADDVANTAGE:	1.94	(0.02)			
ALCATEL LUCENT:	3.19	(0.16)			
AMDOCS:	23.95	(0.37)			
AMPHENOL:	33.28	(0.05)			



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# EYE ON ADVERTISING

## Preach Value

Few media buyers are as respected or as experienced as *Peggy Green*, who was recently elevated to vice chairman of **Zenith Media**. And in a conversation with **CableFAX** Executive Editor *Michael Grebb*, she suggests that cable stop demanding parity with broadcasters and concentrate on the unique value of each cable network. You can hear more from Green when she speaks at CableFAX's upcoming **Advertising Forum** in NYC on Oct 6. She, along with other brand, agency and cable advertising experts, will impart their wisdom at the inaugural event.

### What basic advice would you give to cable?

Right now, it's very, very divisive—some of the conversations. People say, "well, I want the same price as a [broadcast] network"... You have to give us the benefit of the doubt that the distribution platform is not the only factor that determines price—though we must always keep in mind that coverage or percentage distribution will always be important to a national advertiser. So I think the fact that you're still saying that you're cable plays to the old dichotomy that exists.

### Does that cable identity make it harder for some nets to command higher CPMs?

I hate to discuss higher CPMs, but I think sometimes you've got to say who you are rather than who you want to be. In other words, if you look at a **USA** or a **Turner**, they're doing wonderful scripted shows... that tells the story better than saying "parity in pricing." Focus on the opportunity to be involved with programs that provide value to marketers in terms of the audience that they are reaching.

### So stop making comparisons to broadcasters?

Yes, which is what they all say: We want to get broadcast pricing. We want to get paid... Yes, there are shows on cable that are scripted originals, and they're more like

network primetime. But if it is a repeat that is scheduled during the day, the price/value relationship will be determined accordingly... My advice to anyone would be in this marketplace to preach the value of what you offer.

### How can cable add more value?

I think the cable nets can offer to provide customized research on a client-specific basis that drills down more than to the traditional metrics of age and sex, specifically as it relates to lifestyle and other qualifiers. Thinking of NAD breaks and engagement metrics.

### Is cable not providing that?

They have. They have. Believe me, they've come a long way. They're doing great job, but I'm just trying to say that now is the time that people are thinking about what else you bring to the table other than saying that the broadcast model is broken and it's not going to survive. Speak to the positive.

### So talk more about value?

That should be the overdriving message: Value. I think where you see the difference, when you have something like sports there is no divide. Whether football is on **ESPN** or football is on **Fox** or football is on **CBS**, you discuss buying the **NFL**, correct?... When we discuss kids, it's platform agnostic. When we discuss sports, it's platform agnostic. Once you get rid of that, I think that price will follow on its own merits... For example, the genesis of the women's initiative being spearheaded by *Lauren Zalaznick* and *Susan Malfa* of **NBCU** is to identify a target—in this case women—and to look to reach that target in content/programs that speak to them, taking advantage of all the platforms that NBCU has to offer. In this case, the effort includes network as well as the cable nets and **iVillage**. The price/value relationship is determined based on the components of the deal as well as how the total deal takes advantage of the assets of NBCU. One of our clients, General Mills, was one of the first to come on board.



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