

CableFAX Daily™

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What the Industry Reads First

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Biggest Loser: Multichannel Market Hits Historic Low

The multichannel market made history last Q, and not in a good way. For the 1st time ever, the market declined in 2Q, with 216K customers lost vs 378K gained in 2Q09, reports **SNL Kagan**. Anyone who listened to MSOs lament unusual softness in July during earnings calls might worry that this trend will continue, but Kagan does expect improvement. "I assume in the 2nd half of the year we won't see overall declines in multichannel subscribers. Cable will continue to lose though... but not quite as many as in 2Q," said *Ian Olgeirson*, sr analysts at SNL Kagan. "DBS will probably post a bit better in the 2nd half and the telcos will probably continue to fill out their deployments." Cable suffered its worst quarterly video loss to date, dropping 711K subs in 2Q. DBS added 81K and telcos gained 414K, Kagan reports. The MSO's combined share of video subs dropped to 61% vs 63.6% in 2Q09 (remember a couple years ago when former FCC chmn *Kevin Martin* was trying to argue the magical 70% penetration number for cable had been reached?). Telco share grew to 6% from 4.3%, while DBS share gains have been modest at less than 1%. Of course, whenever there's a decline, the cord-cutting conspirators come out of the woodwork. But Kagan believes that Q2's dip came because of seasonal weakness combined with unemployment, low housing formation and a weak economy—plus churn off from folks who signed up for cable during DTV transition promotions. "To say we aren't attributing it to over-the-top [video] is not to say we don't see an impact from over-the-top," Olgeirson added. "Consumer usage habits are certainly skewing that way. Undoubtedly, there is some impact from that as well." Broadband and phone also had its trouble in 2Q, but Olgeirson chalked some of that up to the products starting to reach maturity. "As you start to see that growth opportunity decline because there is a shallower pool of potential converts, then seasonality plays a bigger role," he said.

Deals: That **NCTC-NFL Net** deal is already bearing fruit, with **Suddenlink** announcing it will offer the flagship net and **NFL RedZone**. The MSO has been trying to reach a deal for years for the channel. Suddenlink already has started to launch the channel in some systems and expects all of the launches to be complete by Sept 12 (the 1st Sun of the NFL regular season). An MSO rep said the channel number would vary by market.

Retrans: At our deadline, **DirecTV** and **News-Press Gazette** were still negotiating over retrans. A positive sign

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is that the deadline came and went without NPG yanking stations. The agreement, which expired Mon afternoon, includes **KRDO-ABC** in Colorado Springs/Pueblo, CO; **KVIA -ABC** in El Paso, TX; **KESQ -ABC**, **KDFX - FOX** and **KUNA - Telemundo** in Palm Springs; and **KIFI-ABC** in Idaho Falls, ID (*Cfax*, 8/19).

Competition: Verizon intro'd a new 2-play bundle featuring its Regional Value calling plan and HSI service at speeds up to 1Mbps for \$35/month and 24-month pricing for existing phone customers, or \$45/month for new voice subs. Both offers require a 1-year contract. With **DirecTV** service, new 3-play pricing runs \$75/month for new subs and \$65 for existing voice subs. Separately, **Verizon Wireless** and **Exent** launched a redesign of the **games.verizon.com** portal, which offers a 14-day free trial to new customers, and an app giving the subscription service's customers a more intuitive and interactive way to explore more than 1500 game choices. -- Consumers who can't get **DirecTV** can now get **NFL Sunday Ticket** via broadband. The DBS provider will verify through some questions that they are unable to get the service. If eligible, they can sign up for the \$350 Internet package—an extension of a program that launched in NYC last year. Those who can get **DirecTV**, can sign up for service for \$300, which includes 5 months of its Best programming package. Existing **DirecTV** subs can add it for \$318. Current **NFL Sun Ticket** subs can add the mobile **NFL Sunday Ticket To-Go** service for \$50 more.

Over-the-Airheads: Here's something else to potentially haggle over with **Sinclair** in retrans talks. The broadcaster will launch country music net **The Country Network** on the broadcast digital tier in most its markets. **TCN** bows in Oct in 28 **Sinclair** markets, with the remaining **Sinclair** markets expected to launch it by early '11. -- Christian broadcaster **TBN** has donated 155 low-power TV stations to the **Minority Media and Telecommunications Council**. **MMTC** said it might not be able to accept all 155, but it will establish partnerships with companies to extend opportunities to minority and women-owned broadcasters. **MMTC** said it has already identified owners for **TBN's W16CJ** stations out of Naples, FL.

Online Measurement: **TiVo** enhanced its **StopItWatch** ratings service to offer measurement of broadband consumption on the TV along with linear TV data, both gleaned from set-top data. Slated to roll out next month, the broadband component includes data on streaming and downloadable movies. By Aug 31, meanwhile, **Nielsen** is to have launched in 7500 TV homes **TVandPC**, which will provide integrated linear and online program ratings. The service is expected to go live early next year. Both offerings come amid rapid adoption of online video. According to a survey by **Peanut Labs** and **Altman Vilandrie & Co**, the number of people who watch broadcast TV programming on the Internet has doubled in the last year. Just 42% of 18-34s watch TV shows daily during their normal broadcast time, compared to 60% of those 35+, the survey found, while the corresponding percentages for daily online viewing of shows tallied 16% and 6%. Only 3% of 18-34s have cancelled their cable service, although one-quarter have "seriously considered" doing so.

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In the States: Fox on Cox... For the 1st time, Fox Broadcast will make some of its current programming available via cable's VOD through a deal with Cox's MyPrimetime. Previously only Cox Orange County carried some Fox shows on VOD. -- **Midcontinent** is set to join the local sports game with **Midco Sports Net** (MidcoSN), which will launch early next month to provide more than 230K of the MSO's subs with access to college and high school sports in ND, SD and MN. Available in both standard- and high-def, the net will include games from the University of SD football team and University of ND hockey team, plus fishing and travel shows. -- **Cox Business** is providing a 100Mbps wired and wireless Internet connection for admin and production staff for the annual **Muscular Dystrophy Association's** Jerry Lewis Telethon (Sept 5-6). The value of donated services totals \$90K, Cox said.

VOD: Disney is opening up SVOD service **Disney Family Movies** for a free preview (Sept 2-6) through **Comcast, Charter, Cox, U-verse TV, Suddenlink, FiOS TV** and **Avail TVN** affils. Hosted by *Phylicia Rashad*, the preview will feature Disney films such as "Pocahontas" and "A Bug's Life."

Ratings: The 5th season premiere of **E!**'s "Keeping Up with the Kardashians" drew 4.7mln total viewers and posted a 3.52 HH rating to score the series' highest-rated and most-watched season opener ever. The ep also ranks as the net's 2nd highest-rated telecast ever among 18-34s, 18-49s, women 18-34 and women 18-49, 2nd only to the show's season 4 finale. -- The season 4 finale of **Lifetime's** "Army Wives" became the show's most-watched ep of the year among all demos, including total viewers (3.91mln), 25-54s (2.00mln), women 18-49 (1.30mln) and women 25-54 (1.47mln).

Programming: Cox Sports TV inked a 3-year extension to its TV deal with **University of Arkansas** sports, including full-game replays from the gridiron and overall year-round coverage of 28 events. -- **8 Big 12 Conference** athletic directors met with **Learfield Sports** Fri to discuss forming a conference TV net, according to reports. -- *Michael J. Fox* (Nov 9), *Bill Hader* (Sept 22) and *Eli Wallach* (Dec 10) will join **TCM** host *Robert Osbourne* as part of the net's guest programmer showcase. -- **Bio's** 2-hour doc "Jimi Hendrix Voodoo Child" (Thurs, 9pm ET) delves into the singer's life through exclusive interviews and recordings from his private archive. -- **Cooking Channel's** fall slate includes originals "Rachael Ray's Week in a Day" (Sept 25) and "Brunch @Bobby's" (Oct 16) featuring chef *Bobby Flay*. -- **Tennis Channel** will provide 73 hours of live matches from the US Open, starting Mon. -- "My Wife and Kids" bows on **Nick at Nite** Mon at 8pm.

Honors: HBO led all cable and broadcast nets in **Creative Arts Prime Emmys** hardware, earning 17 overall wins Sat night. **ABC** (15), **Fox** (9), **NBC** (7) and **CBS** (7) combined for 38, while the following cable nets also garnered multiple nods: **Showtime** (5), **Cartoon Net** (4), **AMC** (2) and **Discovery Channel** (2). Earning a win each were **A&E**, **Comedy Central**, **Disney Channel**, **History**, **Nickelodeon** and **USA**. -- **Time Warner Cable** (Connect a Million Minds), **C-SPAN Nets** (C-SPAN Video Library) and **MTV** (A Thin Line) were named the finalists for **ACC's '10 Golden Beacon Award**, presented annually to a single public affairs initiative that has a profound and lasting effect. "We are honored to be recognized by our cable partners as a Golden Beacon finalist for the online C-SPAN Video Library," said C-SPAN Nets pres/co-COO *Susan Swain*. "But the real credit belongs to America's cable companies who created C-SPAN 31 years ago and continued that tradition of public service by supporting this year's launch of the C-SPAN Video Library."

Capitalizing on Transactional TV

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- 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?

BUSINESS & FINANCE

On the Circuit: Ruby Gettinger, the star of **Style's** Emmy-nominated series "Ruby," agreed to deliver the opening address during the **WICT Touchstone Luncheon**, Sept 13 in NYC. -- Part of its **Smart Energy Management Initiative** created to help cable identify near- and long-term solutions for energy management, **SCTE** announced the commissioning of a roof-mounted photovoltaic solar power system at its PA headquarters. The system is expected to generate 13,100 kilowatt hours annually—roughly tantamount to 23,866 lbs of CO2 offset.

People: *Andrea Ching* was promoted to svp, mktg and promotions, **Turner/SI Digital**. -- **AMC** named *Nancy Kane Leidersdorff* vp, media planning. -- **Synacor** tapped *Ron Bernstein* as vp, ad sales.

Business/Finance: Charter shareholders approved a New Certificate of Incorporation for the MSO Fri, through which Charter has the authority to issue 1.175bln total shares, including 900mln Class A, 25mln Class B and 250mln Preferred. -- **Verizon Wireless** finished its \$235mln purchase of certain **Centennial Comm** operating assets including spectrum licenses and more than 117K subs in LA and MS. -- **Time Warner Cable** said **Universal Remote Control** will supply 80% of its remotes through '11, and **Alpha Technologies** will supply the majority of its batteries and power supplies under a 1-year deal. Both firms are part of the MSO's supplier diversity program.

CableFAX Daily Stockwatch

Company	08/23 Close	1-Day Ch	Company	08/23 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	37.81	(0.24)	ARRIS GROUP:	8.60	0.03
DISH:	17.96	0.08	AVID TECH:	11.61	(0.09)
DISNEY:	32.93	(0.12)	BIGBAND:	2.84	0.06
GE:	14.89	(0.14)	BLNDER TONGUE:	1.90	(0.03)
NEWS CORP:	14.01	(0.17)	BROADCOM:	32.54	(0.43)
MSOS					
CABLEVISION:	24.96	(0.43)	CISCO:	21.68	(0.55)
COMCAST:	17.45	(0.36)	CLEARWIRE:	6.61	0.09
COMCAST SPCL:	16.40	(0.34)	COMMSCOPE:	19.20	(0.59)
GCI:	8.10	(0.02)	CONCURRENT:	5.12	(0.08)
KNOLOGY:	12.55	0.08	CONVERGYS:	10.19	0.06
LIBERTY CAPITAL:	44.53	(0.84)	CSG SYSTEMS:	17.53	(0.18)
LIBERTY GLOBAL:	27.84	(0.55)	ECHOSTAR:	19.12	(0.06)
LIBERTY INT:	10.46	(0.04)	GOOGLE:	464.07	2.05
MEDIACOM:	6.80	0.03	HARMONIC:	5.83	(0.22)
RCN:	14.90	0.00	INTEL:	18.70	(0.21)
SHAW COMM:	20.32	(0.03)	JDSU:	10.24	(0.18)
TIME WARNER CABLE:	52.93	(0.86)	LEVEL 3:	1.07	0.00
VIRGIN MEDIA:	20.07	(0.43)	MICROSOFT:	24.28	0.05
WASH POST:	368.78	21.10	MOTOROLA:	7.44	(0.04)
PROGRAMMING					
CBS:	13.42	(0.19)	RENTRAK:	21.90	(0.67)
CROWN:	1.98	(0.11)	SEACHANGE:	8.32	0.22
DISCOVERY:	37.79	(0.03)	SONY:	28.94	(0.57)
GRUPO TELEVISA:	19.09	(0.2)	SPRINT NEXTEL:	4.09	(0.1)
HSN:	28.07	0.06	THOMAS & BETTS:	37.14	(0.15)
INTERACTIVE CORP:	23.72	(0.03)	TIVO:	8.42	(0.27)
LIBERTY:	35.86	(0.43)	TOLLGRADE:	6.70	0.11
LIBERTY STARZ:	59.70	0.46	UNIVERSAL ELEC:	17.54	(0.42)
LIONSGATE:	6.52	0.11	VONAGE:	2.04	(0.01)
LODGENET:	2.46	(0.05)	YAHOO:	13.65	(0.14)
NEW FRONTIER:	1.49	0.02	TELCOS		
OUTDOOR:	5.01	(0.25)	AT&T:	26.49	0.04
PLAYBOY:	4.95	0.04	QWEST:	5.64	(0.01)
SCRIPPS INT:	40.74	(0.59)	VERIZON:	29.41	0.04
TIME WARNER:	30.11	(0.2)	MARKET INDICES		
VALUEVISION:	1.96	(0.21)	DOW:	10174.41	(39.21)
VIACOM:	35.61	(0.35)	NASDAQ:	2159.63	(20.13)
WWE:	13.85	(0.2)			
TECHNOLOGY					
ADC:	12.63	0.01			
ADVANTAGE:	2.91	(0.26)			
ALCATEL LUCENT:	2.59	(0.05)			
AMDOCS:	26.17	(0.45)			
AMPHENOL:	40.76	(0.9)			
AOL:	22.43	(0.13)			
APPLE:	245.80	(3.84)			



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EYE ON ADVERTISING

Going Direct

Mercury Media svp/media dir Cheryl Green has been a big believer in direct response for years. Today, an increasing number of companies are becoming DR converts, thanks to her dedication and strong ROI, particularly in the cable space. Green, a recent **CableFAX** Sweet 16 honoree, tells contributor Cathy Applefeld Olson about the changing DR landscape.

Is cable leading the DR charge?

CG: The majority of our clients' dollars are going to network cable based on the cost efficiency of cable versus broadcast. Network cable has been very accommodating to the direct response industry for well over a decade. The broadcast industry is slowly, very slowly, trying to catch on, but national cable got it at the outset.

How have negotiations changed?

CG: Direct response is the hot word on the street now. When I first started, it was the stepchild. About a decade ago, I negotiated a DR sponsorship for Luxor Resort. Travel Channel had been doing an Egyptian-themed week. It was new for DR clients to be able to take sponsorships that were historically only available for general advertisers at top dollar, but there was inventory available in the Egyptian programming. We were able to work out a direct response rate structure.

Fast forward...

CG: We recently finished negotiating a package with ESPN for Cyber Defender. ESPN is an important network for Cyber Defender but it's also very expensive. We were able to work out a package across all the ESPN networks – they have more inventory available on some of their other networks like ESPN news, ESPN classic, ESPN U. So it's a give and take.

Has the rate structure changed?

CG: It's getting much more competitive because many general advertisers are moving into the DR space. A lot of

general advertisers might not be encompassing a special ROI need for their DR campaign, but we always recommend even if they are coming to us for a hybrid approach that they encompass direct response in the ROI so we can monitor which cable networks are performing, which day parts, even whether an offer of an 800 number or a push to have the viewer go to the Web is working.

What's the breakdown of long-form vs. short-form?

CG: In terms of billings, two-thirds are long-form and one-third short-form, but the market is changing. P&G now has a big [short-form] DR campaign, and you'd never have thought they would have become a client. Neutrogena's Skin ID campaign two years ago was also big. Generally, long-form rate structures are on the decline, and long-form is still predominately

overnight, early morning and weekends. But there are a lot more networks opening up to long-form. DirecTV has specific networks that are only infomercial networks 24/7. Mercury actually owns a few of those networks.

What's a recent DR campaign that worked well?

CG: There are lots: Vegas.com, Fly.com, Diapers.com. Discovery Health had been running a lot of baby programming throughout the day, and we were able to create a DR sponsorship for Diapers.com that was woven into the programming. The campaign did very well. The offer was to go online, register, and receive \$10 off the first order and free shipping... We're also running a DR campaign for Dragon voice-recognition software, \$79 offer for the service, predominantly on news networks—Fox News, Headline News, CNN, MSNBC, some of the Discovery networks. It's a very male-skewed campaign. We also just purchased an annual deal for Hoveround with TV Land, which is one of the strongest cable networks for the adult 65-plus. They've had a lot of changes in programming lately, but we've been able to monitor and determine that even with programming changes they continue to be a strong performer for our client.



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