

CableFAX Daily™

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What the Industry Reads First

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Bite Size: Media Industry Weighs Implications of Apple TV

Armed with an innovative spirit and a loyal following, **Apple** moves a corporate finger, and scores of people take notice. As a result, the co's expected and renewed foray into pay TV has media abuzz with the potential impact on MSOs and other existing players in the space—and the speculation covers all corners. First, though, a refresher on Apple's reported plans: Citing multiple sources, *Bloomberg* 1st told of negotiations between Apple and **News Corp** to allow customers to rent Fox shows from **iTunes** 24 hours after ep premiere dates, for 48 hours and 99 cents. Bloomberg added that **ABC**, **NBCU** and **CBS** are vetting the proposed model as well, and that Apple is ready to launch next month a new version of its relatively unsuccessful **Apple TV** set-top—this time focusing on views of iTunes content and apps on the TV screen instead of a subscription model covering TV eps and movies. **Insight** CEO *Michael Willner* believes the latest Apple TV iteration, like its predecessor, will encounter tough going. "Most cable operators already offer free video-on-demand options that provide many prime time television episodes after 24 hours of their original airing and keeps them available for weeks or months," blogged Willner at **MichaelsInsight.com**. "It seems to me that that makes Apple's TV strategy quite the challenge, but I guess they think it's worth the try." By contrast, *Digg* founder *Kevin Rose* has been quoted as saying that Apple TV will "eventually destroy the television side of the cable and satellite industry" because iTunes ads will allow for the content monetization preferred by content owners, and because it will integrate numerous roles for the popular **iPad**. **Kaufman Bros** analyst *Shaw Wu*, meanwhile, believes the expected Apple TV changes will turn the box into a multi-million unit product. "We believe the ability [for Apple TV/iTunes] to run the same apps makes a lot of sense and believe this feature could be enough to drive significantly more volume for Apple TV," said Wu in a research note, though he does find "the potential to run video game apps on a TV set most intriguing, as it has been proven in the marketplace that there is large market for casual gaming at inexpensive prices." Apple CEO *Steve Jobs* recently said that Apple TV's heretofore lack of success stems from the barriers to entry imposed by pay TV ops' requirement of subs to take their own set-tops, thus preventing consumers from purchasing an alternate option. *Bruce Leichtman* of **Leichtman Research Group** disagrees with that sentiment, believing instead that "Apple TV lacks a unique selling proposition that takes

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consumers from awareness to interest to purchase.” While no one knows whether the new iTunes focus will turn the tide in favor of Apple TV, with services such as **Hulu**, cable VOD and **Netflix** already doing battle, perhaps all that’s known is the media landscape’s constant change. With or without Apple TV, wrote Willner, “television shows will continue to be an a la carte offering.”

Customer Service: Although it doesn’t highlight individual players, **CFI Group’s Contact Center Satisfaction Index ’10** shows pay TV providers have improved their call center operations. According to CCSI data, providers achieved a 3-point YOY gain in contact center satisfaction and a 6-point gain since ’07. CFI Group noted the marked improvements in the ease of reaching a rep and the convenience of service hours as the main drivers.

Emmy Time: Sun’s Primetime Emmy awards will be streamed live from backstage on Emmys.com and **NBC.com**. 7 cameras will give viewers a peek as stars prepare to take the stage. There also will be a “thank you” camera for winners to continue their speeches if they can’t wrap them up before the music is cued. Meanwhile, **E!** will begin its “Live from the Red Carpet” coverage at 6pm ET, complete with a live **Facebook** chat and **Twitter** feed @redcarpet. Who will win? **CBS’ TV.com** announced preliminary results from its fan poll, with **ABC’s** “Lost” winning for “Outstanding Series, Drama” across all regions, genders and age groups except those 45+. The older demo gives the win to **AMC’s** “Mad Men.”

Marketing/Advertising: Sure, **Disney Junior** isn’t taking over **SoapNet’s** channel spot until ’11, but that doesn’t mean it’s too early to start branding. The 1st spot for the pre-K net will bow during the highly anticipated premiere of “Camp Rock 2” on **Disney** Sept 3. The junior set probably won’t be watching the *Jonas Bros* and crew, but Disney’s hoping that Mom will be watching with her older kids. After all, 18-49s average more than 20% of the audience for Disney Channel original movies. The Disney Junior spot will feature “Coming in 2011” messaging. -- After announcing Mon that its **Stop|Watch** ratings service will begin measuring broadband consumption of TV next month, **TiVo** said the service’s new features allow it to: determine what percentage of TiVo users exposed to a program promo ultimately tuned in to watch it, more easily break down and compare the viewership of programs and commercials across segments, and provide granularity to the incremental reach delivered by time-shifted viewing of a particular ad campaign, over any given period of time.

Ratings: This summer, **USA** underperformed its delivery of total viewers and HHs from a year ago, but last year’s numbers set cable records, and the net’s ’10 performance marked its 2nd-best summer ever. The only net to avg more than 1mln 18-49s, 500K 18-34s, 3mln total viewers and 2mln HHs in prime, **USA** said it respectively scored delivery of 1.30mln, 566K, 3.45mln and 2.59mln. Plus, it bested the competition among 25-54s (1.44mln) as well. More info on summer ratings later this week.

Programming: This Mon, **USA** will feature the 900th ep of “WWE Monday Night Raw,” which the wrestling outfit said is now the longest-running weekly prime episodic series in TV history. -- **TLC’s** “Sextuplets Take New York” (Sept 14) chronicles the daily challenges faced by the parents of the country’s 1st Latino sextuplets. -- **CBS** plans to broadcast the **US Open** tennis tourney in 3D on weekends during the event, and **DirectTV’s n3D** agreed to carry the coverage. -- **Universal Sports** is gearing up to feature unprecedented live coverage of the **Tour of Spain** cycling race, with Sat the beginning of 176 total hours. -- **Lori Rothman** is jumping ship from **Bloomberg TV** to **Fox Business**. She’ll make her debut as a market hours anchor on FBN in Sept. -- **MTV2** and the **Lingerie Football League** inked a deal to present 20 half-hour highlight eps during the LFL season along with the conference playoffs. The action kicks off Sept 3. -- **Syfy** greenlit a 5th season of “Eureka.”

Honors: Some of **Bravo’s TelevisionWithoutPity.com** Tubey Awards aren’t exactly honors, but with a record 3.2mln votes casts, it’s always a fun barometer. **AMC’s** “Mad Men” was named Best Returning Show. **Discovery’s** “Mythbusters” was voted Best Candid Reality Show, while sibling **TLC’s** “Jon & Kate Plus 8” got the nod for Worst Reality Show. In possible good news for **TBS**, **NBC’s** “The Tonight Show with Conan O’Brien” was vote Most Painful Series Cancellation. Most Welcome New Character went to *Godric* of **HBO’s** “True Blood.” -- **Suddenlink** dir, ops *Tim Archer* and market segment manager *Carrier Irwin* were named to the Amarillo, TX, Chamber of Commerce’s list recognizing “20 under 40.”

BUSINESS & FINANCE

On the Circuit: HBO co-pres Eric Kessler and the co-creators of net series "Treme" will offer **CTAM Summit** attendees insight into the content, marketing and fan-building behind the show, Oct 19 from 2:30-3:30.

Editor's Note: It's that time of year. Nominations for our cable industry power list, the **CableFAX 100**, are due Sept 3. Nomination forms at: cablefax.com/cfp/2010cablefax100.html

Earnings: TiVo reported a 2Q net loss of \$15.3m vs \$2.7m a year ago, while revenue declined to \$51.5m from \$57.6m a year ago. Service and tech revenue of \$42.1m was ahead of the company's \$40-\$42m guidance. "This quarter we put several strategic relationships in place that further demonstrate our growth plans, led by fast, cost-efficient solutions that bring the TiVo experience to consumers and operators around the world," said TiVo pres/CEO Tom Rogers, noting deals in the US with **Suddenlink, RCN** and **Cox**.

Business/Finance: Shareholders of both companies approved the merger of **CenturyLink** and **Qwest**, and the pair has received clearance from the **DOJ** and approval from 7 state regulatory commissions for the deal expected to close by July. Reviews continue in 14 other states, D.C. and at the **FCC**. On Tues, CenturyLink announced a quarterly cash dividend of approx 73 cents/share, marking a robust 8.1% yield.

CableFAX Daily Stockwatch

| Company | 08/25 Close | 1-Day Ch | Company | 08/25 Close | 1-Day Ch |
|----------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 37.64 | 0.22 | ARRIS GROUP: | 8.50 | 0.05 |
| DISH: | 17.86 | 0.42 | AVID TECH: | 11.30 | 0.08 |
| DISNEY: | 32.11 | (0.03) | BIGBAND: | 2.68 | (0.07) |
| GE: | 14.57 | 0.00 | BLNDER TONGUE: | 1.81 | (0.1) |
| NEWS CORP: | 13.76 | 0.02 | BROADCOM: | 32.35 | 0.62 |
| MSOS | | | | | |
| CABLEVISION: | 25.10 | 0.78 | CISCO: | 21.21 | 0.08 |
| COMCAST: | 17.33 | 0.32 | CLEARWIRE: | 6.42 | 0.16 |
| COMCAST SPCL: | 16.27 | 0.29 | COMMSCOPE: | 18.94 | 0.11 |
| GCI: | 8.34 | 0.19 | CONCURRENT: | 5.03 | (0.06) |
| KNOLOGY: | 12.31 | 0.11 | CONVERGYS: | 10.29 | 0.22 |
| LIBERTY CAPITAL: | 44.87 | 0.70 | CSG SYSTEMS: | 17.61 | 0.07 |
| LIBERTY GLOBAL: | 27.75 | 0.11 | ECHOSTAR: | 19.09 | 0.13 |
| LIBERTY INT: | 10.31 | 0.06 | GOOGLE: | 454.62 | 3.23 |
| MEDIACOM: | 6.92 | 0.17 | HARMONIC: | 5.88 | 0.04 |
| RCN: | 14.93 | 0.02 | INTEL: | 18.48 | 0.07 |
| SHAW COMM: | 20.09 | (0.28) | JDSU: | 10.22 | 0.15 |
| TIME WARNER CABLE: | 51.67 | 0.19 | LEVEL 3: | 1.03 | (0.01) |
| VIRGIN MEDIA: | 20.01 | 0.01 | MICROSOFT: | 24.10 | 0.06 |
| WASH POST: | 374.71 | 5.11 | MOTOROLA: | 7.50 | 0.04 |
| PROGRAMMING | | | | | |
| CBS: | 13.57 | 0.32 | RENTRAK: | 22.23 | 0.42 |
| CROWN: | 2.05 | 0.28 | SEACHANGE: | 8.37 | 0.33 |
| DISCOVERY: | 36.80 | (0.01) | SONY: | 28.30 | 0.23 |
| GRUPO TELEVISA: | 18.57 | 0.00 | SPRINT NEXTEL: | 3.96 | 0.01 |
| HSN: | 27.24 | 0.66 | THOMAS & BETTS: | 36.70 | 0.54 |
| INTERACTIVE CORP: | 24.39 | 0.43 | TIVO: | 8.46 | 0.12 |
| LIBERTY: | 35.25 | (0.1) | TOLLGRADE: | 6.54 | (0.04) |
| LIBERTY STARZ: | 59.68 | 0.69 | UNIVERSAL ELEC: | 17.50 | 0.06 |
| LIONSGATE: | 6.60 | 0.04 | VONAGE: | 2.04 | (0.02) |
| LODGENET: | 2.46 | 0.05 | YAHOO: | 13.26 | (0.14) |
| NEW FRONTIER: | 1.47 | (0.02) | TELCOS | | |
| OUTDOOR: | 5.27 | 0.21 | AT&T: | 26.89 | 0.17 |
| PLAYBOY: | 5.01 | 0.02 | QWEST: | 5.64 | (0.02) |
| SCRIPPS INT: | 40.09 | 0.02 | VERIZON: | 29.66 | 0.19 |
| TIME WARNER: | 29.96 | 0.15 | MARKET INDICES | | |
| VALUEVISION: | 1.91 | (0.04) | DOW: | 10060.06 | 19.61 |
| VIACOM: | 35.47 | 0.21 | NASDAQ: | 2141.54 | 17.78 |
| WWE: | 13.83 | 0.24 | TECHNOLOGY | | |
| ADC: 12.67 0.02 | | | | | |
| ADDVANTAGE: 2.86 0.06 | | | | | |
| ALCATEL LUCENT: 2.56 0.00 | | | | | |
| AMDOS: 25.93 (0.01) | | | | | |
| AMPHENOL: 40.55 0.18 | | | | | |
| AOL: 22.14 0.36 | | | | | |
| APPLE: 242.89 2.96 | | | | | |

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Choice

We hear a lot about the idea of “choice.” Consumers, it is said, repeatedly, should have maximum choice in what they want to see, when they want to see it, on what type of screen, and so on. I thought it might be useful to see how the word is actually defined. Here’s one definition that pretty well sums things up: “Choice consists of the mental process of judging the merits of multiple options and selecting one of them.”

One of the things that I am beginning to notice, however, is that those who constantly lobby for more “choice” very rarely accept the fact that in many cases consumers have already gone through the mental process of judging the merits of existing multiple options and have already chosen. Those lobbying for ever more “choice” take the position that consumers have either made the wrong choice because they don’t have enough options, or they would make a different choice if only they had what the lobbyists prefer as a “better” option.

An example would be ISP offerings of broadband speed. There are choices, but there is a demand for more, even though consumers have indicated overwhelmingly that they are either “satisfied” or “very satisfied” with their broadband service. Will more speed make everyone more satisfied? Probably not. Even the FCC’s own research acknowledges that most users of broadband don’t use it for applications that need more speed. This is really an issue of consumer lobbyists dreaming about what they see the “future” to be, and demanding that it be facilitated by “more” now, even if consumers are not really seeking that “choice” today.

By the way, despite the consumer press headlines generated suggesting that ISPs don’t “deliver” the advertised speeds today, that’s simply not correct. Consumers don’t get to use it, but it’s not because the ISPs are not ready

to deliver it. As engineers will tell you, (see, for instance, George Ou’s technical analysis at DigitalSociety.org on August 18th). Folks are confusing Internet speed with broadband speed. The “Internet” has all sorts of moving parts, with lots of variability including, simply, the distance some data has to travel in order to get to you. All of that affects the “speed.”

The point is that the consumer lobbyists chose to complain that consumers were being ill-served by their broadband supplier because on average they used only half the “speed” that was advertised. Wrong. The broadband supplier was simply providing whatever speed the Internet was capable of delivering. And as important, most consumers say they are happy with what they are getting! Nevertheless, the lobbyists are demanding more speed and more “choice” based on their own desires and misunderstanding, rather than on the true choices that have already been made by consumers.

Many times “choices” are made so confusing, the consumer gets lost because there are so many. An example is in the consumer electronics field, where if you try to buy a television set or a pair of “home theatre” speakers, you can go crazy trying to compare your “choices.” It turns out that the manufacturers are making the same speakers, for instance, with just slight cosmetic variations and selling them exclusively in different “big box” stores. There’s no real chance for a consumer to make a reasoned “choice” because there are too many to efficiently compare!

So the next time you hear a consumer lobbyist or legislator/regulator demand “more choice,” ask yourself who they are demanding it for. It may not really be consumers who are likely to be the beneficiaries of those demands.



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