5 Pages Today

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TV vs Internet: Analyst Martin Prognosticates on Future of Television

As some MVPDs fight for the right for wholesale unbundling of cable nets, they may want to ponder **Needham & Co** analyst *Laura Martin*'s prediction that unbundling would destroy 70% of TV economics. "Bundling is the single largest problem for the Internet. They don't have a bundle," she said during a **NAMIC** session Wed. While the Internet TV model on **YouTube** does $4bln a year, the TV ecosystem is a $150bln business, she said. The reason you can't buy a single channel (like **TNT**) from any content conglomerate is that it would require content companies to do the impossible—make only hits, Martin explained. "When iTunes unbundled music, it destroyed 80% of the topline of the music business over 7 years. That would happen in film and TV if conglomerates allowed the unbundling of their hit channels," she said. While the newfronts (featuring content from **AOL, Yahoo, Machinima** and others) may have made a splash in the press last spring, Martin has her doubts about the model. She cited **comScore** numbers showing that the consumer demand for online video has been stuck at about 182mln viewers since early '10. That figure only looks at traditional Internet video, such as YouTube, and doesn't factor in TVE or OTT providers such as **Netflix**. "There is a war going on between Silicon Valley and Hollywood. Technology came into newspapers, music and the Yellow Pages and interrupted. But what Silicon Valley misses on the TV guys is that [the industry] was built on technology," she said. One of the problems for the Internet model is that discovery is difficult. "There's no barrier to entry, so the clutter is obsessive," she said, calling out the Internet for not valuing marketing. "The old world has learned that marketing and discovery are just as important as the quality of a show." Another detractor is the lack of scheduling on the web. After watching 3-5 minute video, it ends, forcing the consumer to take another action. That's a bad idea that can lead to distraction. Other Martinisms: Don't be fooled when you see growth in Internet advertising. "They're talking about **Google**. Everything else is flat," she said. The convergence between TV and computers? "We were all wrong. The convergence is happening from mobile devices and computers. The TV is completely separate," she said, noting that mobile traffic up 100% a year for the 3rd consecutive year.

CTAM's New CEO: Earlier this week, the bi-annual **CTAM** Classic TAMers dinner for current and former members honored outgoing CTAM pres/CEO *Char Beales*. With her retirement set for year-end, many wondered who would

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Sales Mgr, Susan Kim, 301.354.2010, skim@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod:Jo Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group ● Scott Gentry, Dir of Bus Dev, sgentry@accessintel.com ● Group Subs: Amy Russell, 301.354.1599,arussell@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com
Access Intelligence, LLC, 4 Choke Cherry Road, 2nd Floor, Rockville, MD 20850

be the next head of the cable marketing organization. The answer came a few hours before the annual **Kaitz Fundraising Dinner**, with former **Scripps Nets** pres *John Lansing* named to the job. Lansing announced last month that he was retiring, with *Burton Jablin* named as his successor. In Nov, CTAM announced it would focus on corporate memberships vs individual memberships and eliminate its annual Summit and Insights conferences. CTAM board chmn *David Juliano* said Lansing guided Scripps Nets through a transformation that "defined the lifestyle media genre and set the stage for today's multiplatform content world" and that he is what CTAM needs to build on after significantly adapting its model. Beales offered up her congrats, saying it's rare that a search committee endorses a candidate without reservation. "It's a testament to John's experience and style," she said. The search was conducted by **Howard Fischer Associates**.

Deals: Ahead of the expiration of their existing agreement, **Time Warner Cable** and **Univision** inked a new carriage deal that will bring more networks to the MSO. **Bright House** is also part of the deal. TWC will be among the 1st distributors to carry English-language **El Rey**, in which Univision made an investment earlier this year. **Comcast** also is carrying the net, which was created by filmmaker *Robert Rodriguez* and **FactoryMade Ventures**. Also new to TWC is **Univision Deportes, Univision tlNovelas** and **FOROtv**. Deportes and tlNovelas will launch on TWC and Bright House in most Univision markets this week. El Rey launches later this year. The multiplatform deal includes VOD, additional TVE content for TWC TV out-of-home and authenticated access to Univision's UVideos and Univision Deportes digital properties. Also part of the deal is renewed distribution for Univision's flagship broadcast and cable nets. The 2 also said they've reached a first-of-its-kind local news partnership to better service Hispanics in L.A, NYC and other shared markets.

Social TV: Just days after **Nielsen**'s launch of **Twitter** TV measurement program, **Comcast NBCU** formed an unprecedented partnership with Twitter, making it easy to move social media activities to immediate content consumption, which is expected to drive ratings and viewer engagement, Comcast said in a release. At the center of the partnership is "See It," a new feature to be launched in Nov and that will be integrated into a TV show's tweet, allowing viewers to change the channel, record it or watch on mobile devices with the click of a button, said *Sam Schwartz*, **Comcast Cable**'s chief business development officer in a blog post. They key word, according to Schwartz, is "direct connection" and "real-time." And given its live, public and conversational nature, "Twitter recognized the power and potential of See It right away," he said. This season, NBCU shows on its broadcast and cable nets will use the new service. Comcast's social TV vision goes beyond its own set-tops: It's looking to extend "See It," designed to integrate with more distributors, nets and websites, as an industry-wide tool. "Other networks, video distributors, websites and apps are already interested in getting on board," Schwartz said. Programmers can enable the feature by embedding an invisible tag from the "See It" platform on their show's website, and then Twitter and other sites will automatically attach the "See It" feature to any tweet that links to that website. For now, Comcast is using its Xfinity platform as a beta test for its subs. According to Schwartz, the companies are looking at other social TV opportunities, such as incorporating Twitter trending data for top shows and movies into the X1 platform so that subs can tune in to the top buzzing shows. Calling "See It" a feature that creates "an instant online remote control," Comcast chmn/CEO *Brian Roberts* said the company is "taking a leap forward in social TV" with the partnership. **Needham & Co** cable and Internet analyst *Laura Martin* said she loves the idea of anything that gets the consumer to the TV faster. "If you go to the TV from your Twitter feed, you might sit there for 2 hours. That's another ad dollar that potentially gets sold," she said Wed. Advertising is another part of the agreement, which will allow NBCU's advertisers to expand their TV and digital sponsorships to Twitter through the social media platform's Amplify program. **NBC Sports Group** is the 1st to participate in the new ad program while **E!** and **USA** are among the earliest adopters. Nothing can stop TV from getting more social these days.

Retrans: **DirecTV** is at odds with **News-Press & Gazette Co**, which owns **ABC, CBS, Cox, NBC, Telemundo** and **CW** affils in states including CA, CO, MI, NM and AZ. As their retrans contract expired Wed and the 2 were unable to reach an agreement, 13 stations went dark. In typical retrans spat he-said-she-said fashion, the satellite company claimed the broadcaster is asking for "more than triple the price we currently pay," while the broadcaster insisted its proposal is "modest and consistent with today's market rates."

Spectrum: With WiFi deployments a priority, **Time Warner Cable** cares about the amount of spectrum available in the US. So much so that it commissioned **New America Foundation**'s *Michael Calabrese* to study and report on unlicensed spectrum, releasing his findings Wed. "Advancing a national goal of seamless and affordable mobile device connectivity will require an enormous increase in the availability of both licensed and unlicensed spectrum capacity," the report concludes. It puts forth 3 recommendations: move forward with the TV band incentive auctions, implement 3.5-3.7 GHz band sharing and expand unlicensed use of the 5 GHz band.

Diversity Week Notebook: Integrated marketing is "growing like a weed" and shows no sign of slowing down as cable nets compete for advertising dollars, said *Dario Spina*, evp, integrated marketing at **Viacom Media Networks**. He was one of several panelists at **NAMIC's** Wed opening session in agreement that brand marketing now affects multicultural marketing, as well as strategies across the board. "This shift is putting a lot of pressure on us to deliver boutique agency-like services to clients," he said. **B2+** pres/creative director *Brian Briskman* said advertisers know they have leverage and are using it to push for deeper integrations. "Brands want own-able content now," he said. But nets need to be careful to ensure organic integration, said *Christine Maggiore-Escribano*, svp, integrated marketing solutions at **Telemundo Media**. "We feel with branded entertainment you really need to have an editorial voice," she said, adding that if the client takes over "the audience will know." The good news, she said, is that advertisers get it now. "The pool of clients who don't understand multicultural marketing is slimming down," she said. *Eddie Hill*, svp, consumer marketing and brand strategy at **BET Nets**, said advertisers also demand broader reach across audiences and platforms, which has prompted BET to appeal beyond the African-American demo and "think with a broader lens." -- LGBT cable execs may still face challenges—but the industry has come a long way, **NAMIC** panelists said Wed. "There are some positions that weren't offered to me because of my persona," acknowledged **Comcast** vp, govt affairs *Klayton Fennell*. But he said those situations stemmed from the best of intentions. "They didn't want to see me get hurt or have someone treat me badly," he said, advising managers to avoid such paternalism. "Don't help protect them that way. Shatter those glass ceilings." *Lisa Sherman*, who just this week resigned as **Logo's** gm, said she spent years in the corporate world before coming out. But once she did, everything got better. "I became so much happier and more creative and did better work," she said. "And then my career just took off." Sherman joined Logo 3 months before its '05 launch and recalled the first pitch to a distributor, whose reps were "a little bit nervous about what it was going to be." When she showed the sizzle reel, they all exhaled sighs of relief. "They thought this was going to be a porn channel… because when they hear LGBT, all they think is sex and porn," she said. How perceptions have changed…

Rebranding: **A&E** is getting a face lift, including a new on-air look, a new website and the new tagline "Be Original." The new brand identity and tagline will launch on Dec11 during the "Duck Dynasty" Christmas special.

Deals: **AOL** scored online video rights from **ESPN,** allowing access to a majority of video from the sports net. AOL will syndicate ESPN video content across both its owned and operated sites (such as AOL.com and *The Huffington Post*), along with its network of partners that includes 1,700 publishers, as well as mobile phones, tablets and connected TV devices. In addition, ESPN's production facility will help program content across the AOL network to attach relevant ESPN videos. ESPN will lead ad sales for the video content and the companies, along with AOL's syndication partners, will share the revenue. Content distribution started on Oct 8.

No Deal: **Discovery Comm** and the **BBC** have grown apart. The companies, whose lengthy partnership has resulted in global programming events like "Frozen Planet" and "Wonders of the Solar System," mutually agreed to end the partnership. Discovery's global audiences' demand for quality science and natural history programming is "taking us in exciting, new directions, creating these essential shows for numerous cutting edge platforms," evp of production & development, landmark series and specials *Andrew Jackson* said in a statement. "Science and Natural History programmes have always been a core part of the BBC's DNA and we have ambitious plans for the future with an exciting range of new content in the pipeline," commercial dir *Bal Samra* said. Though the formal relationship is ending, the companies will continue to collaborate on projects including "Hidden Kingdom," "Survival" and "How to Build a Planet."

Advertising: **Crown Media Family Networks** is partnering with video ad tech firm **FreeWheel** to launch digital ad sales packages for its **Hallmark Channel** and **Hallmark Movie Channel** across platforms. Specifically, FreeWheel's Monetization Rights Management technology will help manage the nets' ad sales rights, forecast ad inventory, offer yield-optimized ads, and monitor campaign performance across the nets' distribution footprint. The nets will also use FreeWheel's advisory services. The move came as the nets entered the original programming space.

Programming: **USA** gave the greenlight to 3 drama pilots: "Complications," a medical drama from "Burn Notice"

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producer *Matt Nix*, "The Novice," a recent grad discovers his true calling might be crime, and "Rush," written and produced by *Jonathan Levine* ("Warm Bodies"). -- **Esquire Network** booked 2 new original fall specials that extend long-time franchises from Esquire magazine, "Women We Love," premiering Nov 19, and "Best Bars in America," (wt). -- **BBC America** will co-produce 5 natural history series, including "The Hunt," "One Planet," "Wild Alaska," "Beyond Human" and "24 Hours on Earth."

On the Circuit: Instead of naming an honoree at this year's Mickey Leland Humanitarian Achievement Award Luncheon, **NAMIC** focused on reintroducing the late member of Congress and his legacy of advocating for social justice. Next year, the award will be presented in conjunction with the NAMIC Annual Breakfast at the Cable Show.

People: **Reelzchannel** hired former **TLC** programming evp *Steve Cheskin* as svp, programming. He has been consulting with the net since Apr. -- *Kevin Bennett* was promoted to gm, **ID** and **Military Channel,** and evp of programming, ID, Military Channel, and **Destination America,** effective immediately.

Oops: The "Pearls of Wisdom" panel mentioned in Wed's issue was part of the **WICT** Leadership Conference, not **NAMIC**'s conference.

CableFAX Daily Stockwatch

Company	10/09 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
21ST CENTURY FOX:	32.20	(0.24)
DIRECTV:	57.95	(0.1)
DISH:	46.63	(0.73)
DISNEY:	63.59	(0.41)
GE:	23.57	(0.1)
MSOS		
CABLEVISION:	16.22	0.02
CHARTER:	131.50	(0.11)
COMCAST:	44.33	(0.28)
COMCAST SPCL:	43.00	(0.29)
GCI:	8.78	(0.13)
LIBERTY GLOBAL:	74.90	(1.16)
LIBERTY INT:	22.86	(0.58)
SHAW COMM:	23.64	0.05
TIME WARNER CABLE:	110.27	0.47
WASH POST:	604.31	3.41
PROGRAMMING		
AMC NETWORKS:	63.15	(1.99)
CBS:	53.62	(0.37)
CROWN:	3.14	0.02
DISCOVERY:	77.93	(0.3)
GRUPO TELEVISA:	27.39	(0.32)
HSN:	51.01	0.55
INTERACTIVE CORP:	53.14	(0.13)
LIONSGATE:	34.52	0.28
MADISON SQUARE GARDEN:	56.40	(0.53)
SCRIPPS INT:	74.73	(0.34)
STARZ:	27.93	(0.32)
TIME WARNER:	64.61	(0.41)
VALUEVISION:	4.40	(0.12)
VIACOM:	80.45	(0.38)
WWE:	10.80	0.02
TECHNOLOGY		
ADDVANTAGE:	2.45	UNCH
ALCATEL LUCENT:	3.51	0.02
AMDOCS:	36.66	0.04
AMPHENOL:	75.69	0.86
AOL:	32.71	(0.18)
APPLE:	486.59	5.65
ARRIS GROUP:	16.78	(0.11)
AVID TECH:	6.33	0.07
BLNDER TONGUE:	0.99	(0.03)
BROADCOM:	26.15	0.07
CISCO:	22.50	(0.14)
CONCURRENT:	6.82	(0.08)
CONVERGYS:	18.23	(0.05)
CSG SYSTEMS:	23.92	(0.23)
ECHOSTAR:	45.32	(0.67)
GOOGLE:	855.86	2.19
HARMONIC:	7.40	(0.14)
INTEL:	22.59	0.11
JDSU:	14.24	(0.32)
LEVEL 3:	26.36	(0.22)
MICROSOFT:	33.07	0.06
NIELSEN:	36.11	0.21
RENTRAK:	32.73	(1.59)
SEACHANGE:	12.36	0.13
SONY:	19.75	0.14
SPRINT NEXTEL:	6.00	(0.13)
TIVO:	12.07	(0.06)
UNIVERSAL ELEC:	33.62	(0.3)
VONAGE:	3.05	(0.01)
YAHOO:	33.01	0.08
TELCOS		
AT&T:	33.75	0.64
VERIZON:	46.20	0.15
MARKET INDICES		
DOW:	14802.98	26.45
NASDAQ:	3677.78	(17.06)
S&P 500:	1656.40	0.95

Think about that for a minute...

Same Eyeballs

Commentary by Steve Effros

When I was growing up in this industry, it was explained to me very early on that the business of broadcasting was to "sell eyeballs to advertisers." Of course that was a somewhat crude way of saying that the broadcast business plan was pretty fundamental: get as many "eyeballs" as you can to watch your channel/program and then interlace that program with ads, which is the way to make money.

Nothing wrong with that, except, as the broadcasters ultimately learned, most other media worked on a "dual revenue" stream, not a single revenue stream. The others put in ads and also charged for their product! Think of newspapers, magazines and cable, and you can see that the dual revenue stream model made sense. Increasing diversity dictated that the individual, "niche" program, column or article would not be sufficiently profitable (except for live sports, or something like it) unless packaged with other product. The bundle would generate the revenue needed to not only continue to produce and deliver the programming, but make a good profit as well.

Enter "retransmission consent." I'm not going to get into the copyright, public spectrum discussion here. Suffice it to say that the broadcasters figured out a way, through a Congressional mandate, to achieve a dual revenue stream as well when it became clear they were going to be in financial trouble if they didn't. But now, because of new technology, particularly broadband and the Internet, the business models are being tested again. Can a newspaper survive when one side of its "dual revenue stream" is being eaten away by a new advertising medium along with the virtual elimination of one of its core revenue-producing services; classified ads? Maybe not.

But the new technology doesn't really change that "eyeball" equation, it seems to me. If the producer of "programming" let's say, still gets paid both for the "subscription" part of the revenue and the "eyeballs to advertisers" part of the revenue, then what difference does it make whether the eyeballs are looking at a "television screen" or a "tablet"? Same eyeballs.

The negotiations that are getting more and more contentious between the deliverers, like cable and satellite, and the programmers, like broadcasters and cable channels, seem to be focusing on the "new" technologies and trying to figure out how folks will be watching in the future. Hence we have major battles over whether a cable operator can offer the same channel, which is already being paid for to deliver inside the home to a television set, to that same set of eyeballs if they want to watch that same program on a tablet, or a smartphone or whatever.

Clearly the theory of the programmer is that when watched in a somewhat different format the eyeballs should be charged again for the same product. But why? OK, I get that maybe the answer is "because, right now, they can." But that's not a terribly good answer in the long run.

While there may be some short-term gain in the insistence that different delivery mechanisms—in this case "portable" screens—provide another opportunity to create revenue, long term we are going to recognize that what I learned way back when is still the case. The program producers get revenue because they attract eyeballs. It's not terribly relevant how those eyeballs want to view the product, and making it harder, or more expensive simply because of the type of screen being watched is ultimately going to go away. Consumers won't put up with it for very long.

Steve

T:202-630-2099
steve@effros.com

(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)