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Tuesday — October 12, 2010

What the Industry Reads First

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THE FUTURE BELONGS TO THE FEARLESS.

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Whatever Martha: Hallmark Upheaval as It Looks to Become Daytime Destination

As word came late Fri that **Hallmark** had bid adieu to the exec heading its daytime *Martha Stewart* lineup, some are wondering what's going on at the independent programmer. **HGTV** vet *Laura Sillars* joined Hallmark in June to oversee the new lifestyle block—chiefly “The Martha Stewart Show” and related Stewart content acquired in Jan long before Sillars arrived. But she was ousted Fri, the *L.A. Times* reported. “I think it was mutual. It wasn't really working creatively for either of us,” Hallmark Channels' chief exec *Bill Abbott* told **CFax** Mon. “It happens all the time in this business. Look at **OWN** and how many creative differences they've had as they try to launch their channel.” As has been well documented, ratings for the daytime block that launched last month haven't materialized. It's averaged fewer than 200K total viewers, down more than 50% from the average “The Golden Girls” and other classics brought in last year. This month, Hallmark reduced the lifestyle block from 10am-6pm to 10am-3pm, nixing Stewart library content. This week, Stewart will appear in prime to help viewers sample the daytime programming, Abbott said. Launching a topical daytime block in cable is difficult because broadcast and syndication have established viewing habits, the Hallmark exec argued. “When you look at our estimates from our business plan, we're not too far off from where we thought we'd be... We're not all that surprised—certainly disappointed, but it's only been 4 weeks,” he said. Ratings pressure is not new. In its most recent 10Q, Hallmark said it declined from 14th in total day viewership and 10th in prime in '09 to 23rd in total day and 23rd in prime in '10, (those ratings pre-date the new daytime block). Abbott said that the drop in ratings was partly intentional. “We need to drive a demographic that is more valuable across the board. Programming our channels so that our demographic was 65+ wasn't necessarily where we would be enhancing the business,” he said. Then there are advertisers. Hallmark sold the Martha Stewart block at rates 117% higher than prior year's rates. “There will be make-goods that we have to deal with, but you can look at that 2 ways. One is that... clients paid higher for our network, but they probably also paid less for Martha than they paid in syndication,” Abbott said. “Of course, everyone's disappointed, but advertisers are rooting for us because more options in daytime are good for... everyone across the board. The audience we're delivering is a much more valuable audience.” Not helping is the loss of **AT&T U-Verse** as an affiliate. U-Verse dropped Hallmark and **Hallmark Movie Channel** Sept 1 when its contract expired, and there are no signs of them returning soon. Meanwhile, **NCTC's** been out of contract since

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Mika Brzezinski & Joe Scarborough
Morning Joe
6am ET Weekdays

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Dec '09. The channels continue to be carried by the co-op. In its most recent 10Q, Hallmark said it expected the NCTC agreement to be completed in 3Q. It wasn't, but Abbott said it's close, with a basic agreement reached that's awaiting approval from the boards. Despite the focus on daytime ratings, Hallmark's stock (CRWN) has been on an upswing, surging approximately 40% since the end of July. "We have the fastest growing network in cable with Hallmark Movie Channel, and we have the Hallmark Channel. While the Martha area still needs some work, we have holidays and original specials...all of that is still extraordinarily good," Abbott said. Meanwhile, the DE Chancery Court heard a shareholder lawsuit late last month against the Hallmark Cards recapitalization that was completed in June, which argues that the deal dilutes existing shareholders equity. A decision is expected to be issued by year-end.

Fox Watch: While **Cablevision** continues to say nothing about its **Fox** contract that expires Sat, the programmer has unleashed another print and TV spot aimed at riling up viewers. The ads, dubbed "Strike 3," began appearing Fri and count Jan's loss of **HGTV** and **Food** as Cablevision's 1st strike. Strike 2 is listed as Cablevision viewers missing out on part of the Academy Awards on **ABC** in Mar (it was about 15 mins that was dark). "Tell Cablevision 3 strikes and they're out," the ad says. The sports analogy is apt, with much of Fox's tactics aimed at sports fans who could miss NLCS games on Fox Sat and Sun—not to mention **NFL** football. Cablevision's deal includes the Fox O&O, **My Network TV**, **Nat Geo Wild**, **Fox Business** and **Fox Deportes**. **DISH** has been without **FX**, **Nat Geo** and the 19 **FSNs** since the beginning of the month. It could lose the Fox O&Os on Nov 1.

In the States: **Comcast** launched Xfinity WiFi in Philadelphia and environs, including parts of NJ and DE, offering its Xfinity Internet subs access to more than 2K area hotspots at no additional fee. The service is also available in the Greater New York Tri-State area.

Competition: Come Fri, **U-verse** TV subs can access the service through **Xbox** gaming consoles, which will include typical U-verse features including VOD, DVR management and access to interactive apps. AT&T also announced that its U-verse Mobile app will be offered on Windows Phone 7 devices beginning next month. The app allows for content viewing and DVR management at no extra cost to U-verse TV subs. -- **FiOS TV** added **The Hub HD** to its high-def lineup that now offers up to 140 channels. -- A new campaign has **Qwest** targeting the Hispanic market for promotion of its Heavy Duty Internet service, which offers speeds up to 40Mbps and is available at an introductory rate of \$20/month for 6 months.

Interactive Advertising: Following up on our item that **Canoe Ventures** and **Time Warner Cable** were deploying an interactive advertising platform from **Ensequence** (*Cfax, 10/11*), word is **Bright House Networks** also is in a long-term deal with Ensequence. The deal calls for its iTV Manager solution to be deployed with Bright House for interactive local ads, Ensequence confirms.

Research: The worldwide market for digital set-tops will grow from 205mln this year to 226mln in '15, according to **ABI Research's** crystal ball. North America and Western Europe shipments are falling following successful digital transitions, but Asia-Pacific, Latin America and Eastern Europe are poised to see significant growth. -- Cable TV (+13%) trailed only Spanish-language TV (+24.2%) and national Sun supplement (+21.6%) in YOY ad rev growth during the year's 1st half, according to **Nielsen**, while network TV notched a respectable 8.5% rise. All these media

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Chris Matthews
Hardball with Chris Matthews
5 & 7pm ET Weeknights



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types owe big thanks to the automotive industry, which paced the rebound through a 26.9% surge in US ad spending (excluding Internet). The auto insurance sector chipped in a 22.6% increase as the 2nd of only 4 sectors that upped spending (department stores, restaurants). America's overall 3.8% YOY increase in ad spending during the 1st half of the year may pale when compared to the 12.8% global surge, but it sure beats the 6 straight Qs of declines suffered through 4Q09. [More info at CableFAXDaily.com].

Advertising/Marketing: After TBS partnered with *Kid Rock* to promote its MLB postseason coverage, TNT is teaming with *Lenny Kravitz* for a series of spots that include some of the artist's and will be used throughout the net's '10-'11 NBA coverage. -- The new "TiVo Challenge" invites brand and advertisers to trade in the value of their worst performing 30-sec prime TV spot and instead use those funds to buy 30 days of interactive ad exposure on TiVo. TiVo's ad solutions, including fast-forward billboards and interactive tags during commercials, are designed to reach viewers before, during, and after programs, not just during ad breaks. -- **Discovery Familia's** underscoring its thrust as the net devoted to Hispanic mothers through 130 hours of new fall programming, a new look and feel and a series of informative on-air segments hosted by *Jennette Torres-Alvarez*, who's also acting as the net's new brand ambassador. The net's also revamping **DiscoveryFamilia.com**.

VOD: Music Choice enjoyed a scorching summer by recording approx 335mln views combined during June (106mln), July (118mln) and Aug (111mln). As the on demand net said the numbers continue to establish new FVOD records for monthly video views, it noted use by 11mln unique set-tops during the summer.

Ratings: ESPN averaged 858K homes on a 24-hr basis during its most recent FY to record its most-watched FY ever. The net's total day rating during the period was a 0.9, tying with '90 as its highest-rated FY in history. ESPN also set a total-day record for viewership across its 6 linear nets, which combined to avg 1.25mln homes and 1.53mln total viewers. -- Despite moaning from some blogs that **Bravo's** "Real Housewives of DC" was dullsville, the series finished its run last week as the 2nd highest-rated freshman series for the franchise. It averaged 1.36mln total viewers and 843K adults 18-49.

Programming: A sweeping film deal between **MTVN** and **NBCU Domestic TV Distribution** gives **Spike** the broadcast rights to "Robin Hood," "Wolfman" and "Green Zone," **Comedy Central** the rights to "Get Him to the Greek" ('12), and **MTV** the rights to "Scott Pilgrim vs. The World." The deal calls for features of all the movies beginning in '12, and for Spike also includes "Scarface" and "Jaws." -- **TV Guide Net's** "National Weeds Awareness Week" features a 6-day marathon of acquired series "Weeds" planned for Oct 17-22 (9pm-2am). And starting Oct 24, the net will air 4 back-to-back eps of the series every Sun. -- *Laura Ling*, 1 of the 2 journalists who endured forced North Korean captivity while working for **Current TV**, joined **E!** as host of doc series "E! Investigates." The show returns Dec 8 and 15 for respective looks at rise of teenage suicides in the US and the troubling stories and secret realities of military wives. -- **Fox Sports** has emerged as the leading contender to partner with the **University of TX** for a sports-themed TV net, according to *SBJ*, which said **ESPN, DirecTV, AT&T** and **Time Warner**

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Keith Olbermann
Countdown with Keith Olbermann
8pm ET Weekdays

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BUSINESS & FINANCE

Cable have all shown interest in the venture.

On the Circuit: NAMIC announced the 43-person roster for the 10th class of its **Executive Leadership Dev Program**, the initial session of which bows this week. Go to **Nam-ic.com** for more info.

Business/Finance: With Charter expected to sell 36 systems in 7 states to **CoBridge Comm, Miller Tabak** is speculating that the price per sub could be less than \$2K as it understands the systems could require the most capital investment for 2-way upgrades and digital video conversions. CoBridge CEO **Scott Widham** told *CEM Magazine* last week that the deal could close soon, but declined to provide the number of subs until the purchase price is finalized. CoBridge is backed by private equity firm **The Gores Group**. -- **Needham & Co** lowered to 37K from 176K its expectations for **Time Warner Cable's** 3Q RGU adds and also trimmed its FY10 rev and EPS outlook, yet maintained its 'buy' rating on the MSO's shares and \$65 price target. -- **BTIG's Richard Greenfield** raised a slew of '10 and '11 estimates for **Discovery Comm** while maintaining his 'neutral' rating on the co's **DISCA** shares and upping to \$44 from \$42 the price estimate for **DISCK** shares, citing the compelling valuation gap between the 2 equities.

CableFAX Daily Stockwatch

Company	10/11 Close	1-Day Ch	Company	10/11 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
DIRECTV:	42.13	0.04	ARRIS GROUP:	9.65	(0.08)
DISH:	19.65	0.22	AVID TECH:	13.73	(0.04)
DISNEY:	34.57	0.06	BIGBAND:	3.01	0.10
GE:	16.96	(0.16)	BLNDER TONGUE:	2.40	(0.05)
NEWS CORP:	15.67	(0.14)	BROADCOM:	36.38	0.64
MSOS					
CABLEVISION:	26.42	0.25	CISCO:	22.47	(0.01)
CHARTER:	32.85	0.85	CLEARWIRE:	6.75	(0.26)
COMCAST:	18.02	0.03	COMMSCOPE:	22.29	0.16
COMCAST SPCL:	17.04	0.09	CONCURRENT:	6.39	(0.04)
GCI:	9.94	(0.18)	CONVERGYS:	11.21	0.21
KNOLGY:	14.34	0.11	CSG SYSTEMS:	18.78	0.14
LIBERTY CAPITAL:	54.17	(0.27)	ECHOSTAR:	19.38	(0.05)
LIBERTY GLOBAL:	31.91	0.63	GOOGLE:	538.84	2.49
LIBERTY INT:	14.30	0.16	HARMONIC:	7.02	(0.06)
MEDIACOM:	6.91	0.04	INTEL:	19.56	0.04
SHAW COMM:	22.32	0.09	JDSU:	12.34	0.06
TIME WARNER CABLE:	56.16	0.65	LEVEL 3:	0.86	(0.04)
VIRGIN MEDIA:	23.83	(0.13)	MICROSOFT:	24.59	0.02
WASH POST:	420.11	8.71	MOTOROLA:	8.29	(0.01)
PROGRAMMING					
CBS:	17.51	0.28	RENTRAK:	28.22	0.73
CROWN:	2.49	(0.01)	SEACHANGE:	7.70	0.00
DISCOVERY:	43.21	(0.22)	SONY:	32.24	(0.02)
GRUPO TELEVISA:	21.68	(0.39)	SPRINT NEXTEL:	4.45	(0.03)
HSN:	30.83	0.20	THOMAS & BETTS:	43.50	(0.1)
INTERACTIVE CORP:	26.63	0.38	TIVO:	10.22	(0.07)
LIBERTY:	38.83	(0.08)	TOLLGRADE:	7.24	0.09
LIBERTY STARZ:	65.57	0.51	UNIVERSAL ELEC:	20.50	(0.25)
LIONSGATE:	7.48	0.02	VONAGE:	2.66	0.03
LODGENET:	2.50	0.10	YAHOO:	14.41	(0.08)
NEW FRONTIER:	1.77	(0.03)	TELCOS		
OUTDOOR:	5.99	(0.02)	AT&T:	28.32	0.10
PLAYBOY:	5.39	0.21	QWEST:	6.33	(0.01)
SCRIPPS INT:	47.50	0.22	VERIZON:	33.03	0.20
TIME WARNER:	31.45	0.14	MARKET INDICES		
VALUEVISION:	2.31	0.14	Dow:	11010.11	3.63
VIACOM:	41.20	(0.05)	NASDAQ:	2402.33	0.42
WWE:	13.72	(0.01)	S&P 500:	1165.30	0.15
TECHNOLOGY					
ADC:	12.68	0.00			
ADDVANTAGE:	2.92	(0.06)			
ALCATEL LUCENT:	3.60	0.03			
AMDOCS:	29.40	0.54			
AMPHENOL:	49.32	0.07			
AOL:	24.66	(0.44)			
APPLE:	295.36	1.29			

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Rachel Maddow
The Rachel Maddow Show
 9 & 11pm ET Weeknights

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