

CableFAX Daily™

Tuesday — October 25, 2011

What the Industry Reads First

Volume 22 / No. 206

Marsh Land: Disney Channel Chief Talks About Being the Big Cheese

Gary Marsh, who just took over as pres/Chief Creative Officer at Disney Channels Worldwide, gave us his take on Disney's global strategy, the future of children's programming and, of course, how Disney manages to create such great synergies across its product lines. **CableFAX** inducted Marsh into its 2011 Program Hall of Fame on Oct 18 in L.A. For more insight from Marsh and other Hall of Famers, check out our exclusive video at cablefax.com. **Now that you're fully in charge of Disney Channels Worldwide, what are your immediate plans?** Across Disney Channel, Disney Junior and Disney XD, my primary focus will always be ensuring our content is of the highest caliber, that it models positive family values, and that it strives to entertain and inspire. That said, I will continue to challenge my team to experiment, with new forms of storytelling, to seek out new talent, and to embrace new technology in service of better serving our audience. **What's your most important goal for Disney Channels Worldwide?** Anne Sweeney taught me to take pride in our success—and then to use that success as a platform from which to move even higher; to disdain mediocrity, and to believe we can always re-invent or re-interpret something to make it better, more accessible, more relevant or more entertaining. Those have been my marching orders for years; they are not about to change now. **What's the global strategy for Disney's kids TV brand these days?** Over the last dozen or so years, we've emerged as a powerhouse in kids entertainment. Of course, it doesn't really matter how many markets we reach, unless we've got something the people in those markets want to watch. The good news is that nearly every one of our U.S.-produced properties has succeeded around the world. But what's even more exciting is the content development that's happening at the local level. For instance, Disney Channel India has produced their own Hindi-language adaptation of Good Luck Charlie ("Best of Luck Nikki") and it is their highest rated series. And our European animation team is producing multiple series that will fill our Disney XD pipelines around the globe. **When you look at online video and authentication, how do you preserve your current business model while also taking advantage of new platforms?** While we remain laser-focused on our consumers' needs, we have also been willing to experiment. As a content provider, we see any viable method of securely distributing our content as inherently good because it provides another touch point for viewers to connect with their favorite shows. Of course, determining which content to experiment with is vital, as is respecting our relationships with our existing distribu-

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tors. **Everyone lauds Disney for its attention to synergy. Has it become effortless at this point—or does that kind of coordination remain extremely difficult?** At Disney, synergy is about maximizing those opportunities across multiple lines of business. So, Phineas and Ferb may begin as an animated television series. But through close collaboration with our other lines of business, it has grown to a massive consumer products business, a live stage show, multiple gaming and on-line extensions and millions of books. Even a feature film is in the works. But make no mistake: no amount of synergy can create demand unless the content is strong. **[Look for an extended version of this interview at cablefax.com]**

Costly Mistakes: Netflix's recent pricing and rental packaging missteps led to dismally-received 3Q results that included a net loss of 805K subs and the company's lowest gross adds (4.71mln) since 4Q10, although the latter metric marked nearly 19% YOY growth. NFLX counted 21.45mln streaming and 13.93mln DVD customers as of Sept 30. Our mistakes "hurt our hard-earned reputation, and stalled out domestic growth," said the company. "Our primary issue is many of our long-term members felt shocked by the pricing changes, and more of them have expressed that by cancelling Netflix than we expected." As a result, NFLX said 4Q rev and profits will be lower than expected, though it stressed continued global profitability and bullishness on streaming opportunities. At the same time, NFLX foresees negative streaming net adds in 4Q. NFLX shares were trading down more than 25% after hours.

WiFi: Fresh AT&T data would appear to back cable ops' increasing movement toward WiFi services highlighted by Cablevision's extensive network. The telco said users made 301.9mln AT&T WiFi connections in 3Q, or more than 37 connections/second—a 282% YOY increase. Data carried on AT&T's WiFi network more than doubled in 3Q vs a year earlier.

Advertising: The Assoc of Natl Advertisers found in a recent survey that 47% of marketers have increased TV ad budgets since '09. 30% said budgets stayed the same, while 23% said their budgets declined. While TV is the top media platform for advertisers, 60% of respondents said it's facing serious competition from other media.

Carriage: Cablevision launched WFN: World Fishing Net HD throughout its footprint as part of its iO Sports & Ent Pak featuring 23 channels. -- Verizon FiOS TV launched E! in HD.

At the Portals: It's almost all USF all the time leading up to Thurs' FCC vote on overhauling the universal service fund and intercarrier compensation. With a right of 1st refusal for ILECs still thought to be in the latest draft, don't be surprised for a legal challenge from cable. "While the order will likely resemble the carriers' proposal, making them—especially AT&T and Verizon—the winners if implemented, there are still multiple industry participants that are likely to challenge the order in the courts," UBS said in research note. Beyond cable, possible legal challengers include the states, which stand to lose pricing jurisdiction on VoIP access, and 3rd party VoIP providers (Skype, Vonage, etc), who will have to pay interstate access rates like MSO VoIP providers currently do. Cable continues to object to giving telcos' a 5-year right of first refusal for areas, with NCTA chief Michael Powell taking to the organization's blog Mon to once again call for a competitive process for broadband projects from the fund. "If cable fails to show up to serve, telcos get the money," he wrote. "If cable competes for the subsidy, but is not the best provider, it will lose and the telco gets the money. If cable competes and wins, the consumer is the winner and will get broadband service for the first time from the most efficient and effective provider."

Ratings: AMC's "The Walking Dead" remains alive and well, delivering 6.7mln P2+, 4.5mln 18-49s and 4mln 25-

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EL TIGRE Y EL DRAGON

BUSINESS & FINANCE

54s for this season's 2nd ep. -- The premiere of **Starz'** "Boss" earned 1.72mln total viewers over the entire weekend, including 659K for the show's initial Fri night airing. -- The season finale of **MTV's** "Jersey Shore" garnered a 6.4 rating among 12-34s, giving the extremely popular show season averages of a 6.96 rating and 5.4mln viewers in the demo—as well as 18 of cable's top telecasts of the year among the younger set. Moreover, Jersey's season 4 debut earned 8.8mln P2+ to become the net's most-watched season bow in history.

People: *Jon Litner* was elevated to group pres, **NBC Sports Group**, and will oversee several businesses including the unit's RSNs and golf initiatives. -- **E!** appointed *Kevin Plunkett* to the newly created post of svp, scripted programming. -- **Turner** confirmed that *Linda Yaccarino*, evp/COO Turner ad sales and marketing, will leave the company when her contract expires to pursue other opportunities. *B&C* 1st reported the news.

Business/Finance: **Mattel** agreed to acquire **HIT Ent** for \$680mln in cash from **Apex Partners**. HIT's global portfolio of preschool brands includes "Bob the Builder," "Thomas & Friends" and "Barney." **Mattel** rival **Hasbro** is the half owner of **Discovery Comm's The Hub** net and features brands such as "Transformers" and "G.I. Joe."

CableFAX Daily Stockwatch

Company	10/24 Close	1-Day Ch	Company	10/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS			BLNDER TONGUE: 1.32 (0.02)		
DIRECTV:	47.80	1.38	BROADCOM:	37.39	0.17
DISH:	26.45	0.54	CISCO:	17.54	0.16
DISNEY:	35.37	0.21	CLEARWIRE:	1.64	0.09
GE:	16.45	0.14	CONCURRENT:	4.29	(0.09)
NEWS CORP:	17.67	0.28	CONVERGYS:	10.63	0.42
MSOS			CSG SYSTEMS:	14.28	0.38
CABLEVISION:	18.07	0.50	ECHOSTAR:	26.38	1.13
CHARTER:	50.42	0.67	GOOGLE:	596.42	5.93
COMCAST:	24.67	0.34	HARMONIC:	4.85	0.18
COMCAST SPCL:	24.28	0.34	INTEL:	24.59	0.56
GCI:	9.08	(0.17)	JDSU:	11.20	0.68
KNOLOGY:	14.26	0.46	LEVEL 3:	25.05	1.55
LIBERTY CAPITAL:	77.94	2.50	MICROSOFT:	27.19	0.03
LIBERTY GLOBAL:	42.08	0.91	MOTOROLA MOBILITY:	38.90	UNCH
LIBERTY INT:	15.66	0.41	RENTRAK:	14.31	0.36
SHAW COMM:	19.91	(0.28)	SEACHANGE:	8.18	0.22
TIME WARNER CABLE:	71.84	0.97	SONY:	20.38	(0.33)
VIRGIN MEDIA:	27.78	0.68	SPRINT NEXTEL:	2.69	(0.08)
WASH POST:	349.84	3.70	THOMAS & BETTS:	48.91	1.34
PROGRAMMING			TIVO:	10.13	0.23
AMC NETWORKS:	34.09	0.25	UNIVERSAL ELEC:	18.62	0.57
CBS:	25.54	0.63	VONAGE:	3.18	0.14
CROWN:	1.52	0.02	YAHOO:	16.71	0.59
DISCOVERY:	43.01	0.43	TELCOs		
GRUPO TELEvisa:	21.26	0.75	AT&T:	28.88	(0.25)
HSN:	36.14	1.13	VERIZON:	36.93	(0.49)
INTERACTIVE CORP:	42.01	1.17	MARKET INDICES		
LIBERTY STARZ:	67.24	0.31	DOW:	11913.62	104.83
LIONSGATE:	7.44	0.10	NASDAQ:	2699.44	61.98
LODGENET:	1.98	0.02	S&P 500:	1254.19	15.94
NEW FRONTIER:	1.10	0.03			
OUTDOOR:	6.75	(0.07)			
SCRIPPS INT:	43.29	0.40			
TIME WARNER:	34.91	0.14			
VALUEVISION:	3.35	0.21			
VIACOM:	53.56	0.64			
WWE:	10.72	0.10			
TECHNOLOGY					
ADDVANTAGE:	2.13	0.01			
ALCATEL LUCENT:	2.80	0.14			
AMDOCS:	30.14	0.16			
AMPHENOL:	46.88	1.26			
AOL:	15.07	0.55			
APPLE:	405.77	12.90			
ARRIS GROUP:	11.52	0.33			
AVID TECH:	7.51	0.30			
BIGBAND:	2.26	0.01			

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EYE ON INNOVATION

Could-be TV

Given the comprehensive marketing tour of *Steve Jobs'* biographer *Walter Isaacson*, various revelations about the late Jobs have been thrust into the media spotlight. Yet only one in particular may have a meaningful and lasting impact on the cable and media industries.

"I'd like to create an integrated television set that is completely easy to use," Jobs told Isaacson. "It would be seamlessly synced with all of your devices and with iCloud. No longer would users have to fiddle with complex remotes for DVD players and cable channels. It will have the simplest user interface you could imagine."

Since Jobs has intimated at such a goal in the past and myriad analysts have conjectured about how and when Apple would deepen its commitment to TV beyond Apple TV, the bombshell wasn't dropped until Jobs added, "I finally cracked it."

No definitive plans were disclosed and there hasn't been a peep out of Cupertino, however, so the future of Apple and TV remains mired in speculation, albeit a strenuously intensified form.

In a Mon morning interview with **Pacific Crest Securities** analyst *Andy Hargreaves*, **CNBC** host *Simon Hobbs* called Jobs' TV revelation "one of the most exciting ideas that I've heard this year," and investors' interest was piqued to the tune of a 3.28% increase in Apple shares. Hargreaves, though, wasn't animated or gushing, arguing that content, with which Apple has no real advantage, remains the true value proposition in the television arena.

Until Apple is "able to crack the nut on content that people want to watch, which a lot of it is live content, the most they can do is kind of a better implementation of video on demand... all integrated into an easy to use interface," said Hargreaves.

Trouble is, cable and every other media player have become keenly aware that Apple thrives on breakthroughs

in customer interfaces, be it by adding intuitiveness or simply superior modes. Translation of that proven acumen to the TV set would be another watershed moment for a company that arguably remains without peer where innovation is concerned.

Hargreaves conceded that any new TV innovation by Apple "has to ultimately stretch through to hardware" such as possibly an Apple-branded set, but said "the TV market sucks... there's little profit, and people aren't opting for high-end sets."

Long a believer in a deeper TV foray by Apple, **Piper Jaffray's** *Gene Munster* said Jobs may have figured out a way to combine live TV with shows previously captured on iCloud.



"Perhaps this code is precisely what Jobs believed he has cracked," wrote Munster, noting Apple could use its **Siri** voice-activated system to "bolster its TV offering and simplify the chore of inputting information like show titles, or actor names, into a TV."

Other trenchant points from Munster: an Asian supplier recently indicated prototypes of an Apple TV are being designed, and Apple filed for patents this month related to software for browsing and recording live TV.

"We believe that of the estimated 220mln flat panel TVs sold in 2012, 48% or 106mln units will be Internet-connected, of which Apple could sell 1.4mln units," wrote Munster, adding that an Apple TV could give the company \$6bln in rev within 2 years.

While all this speculation remains exactly that, Apple's track record implies that should it decide to dive into the set market, it will do it effectively and with aplomb. And if the first iteration were to be shrewdly marketed as the Jobs model, well, that would be a stroke of genius that could slice through any prevailing headwinds in the TV market.

Such is the power of Apple and still, of Jobs.

-Chad Heiges



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