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What the Industry Reads First

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Lesson Learned: DTV Transition Doings That Are Working

As vp/gm of **Time Warner Cable's** East Carolina division, *Kim Cannon* knows a bit about the digital transition. That's because Wilmington, NC, made the migration 5 months before the rest of the country. An interesting takeaway: the system added just about as many new customers after the Sept 8 analog cutoff as before it—proving that some folks will wait until the last minute and beyond to prepare. And here's something to make cable optimistic: Cannon told a **CTAM** panel Sun that 86% of those new customers had never subscribed to cable before. And even more heartwarming: the majority took expanded basic at a \$40/month price point. Other lessons Cannon learned include not having a "DTV Event." No one will come. Go to where the people are (community festivals, etc), she said. Avoid any disruptions, such as channel changes, around the transition to avoid confusion. (TWC removed traps for **HBO** in the market, causing some to wonder if they were no longer getting the premium net for free because of the transition). One problem Time Warner encountered was a programming ID issue with DVRs after the switch. Series DVR recordings were no longer working because of a communications failure between the guide providers, broadcasters and cable. Cannon said the system ended up sending out an automated message to customers to get them to reset their DVRs. **Insight** is prepping for the Feb 17 transition with a few different offers and a lot of direct mail. Interestingly, it's getting double the response rate for its \$45/month offer for basic cable and phone than for its \$15/month offer for basic cable, said svp, field ops *Gregg Graff*. **Insight** has tried marketing the bundle as phone and cable for \$45/month and as unlimited calling for \$45/month, plus free cable. Turns out, these non-customers are responding better to the bundled offer than the buy-one-get-one free promo, he said. In the last 6 months, Graff said **Insight** has seen 2% growth out of the group it has dubbed as OTA, non-customers. "The last 60 days [before the transition] will be the real growth," he said. Sunday marked 100 days before the transition.

HD Sales: Despite some concerns that sluggish holiday spending could impact HD television sales, programmers at a **CTAM Summit** panel Sun afternoon were cautiously optimistic. "The digital conversion could spur some people [to buy HD sets], but I think the most important thing is that we're seeing the price drop dramatically," said *Tom Southwick*, **Starz** svp public relations/govt relations. Some people are talking about 32-inch LCD sets for \$350, he said. In fact, a worsening economy will probably result in huge discounts on these televisions, added *Art Marquez*, **MLB Net** svp, affil sales and marketing. His channel launches Jan 1 with everything in high-def (it will be downconverted for the SD version). **HDNet** svp, marketing *Bill Osborn* said spreading HD isn't a matter of educating consumers but of getting the product out there. "If you see it, you get it," he said. Panelists several times referred to **Discovery's** "Planet Earth" as the type of programming that makes people HD believers. "Programming that goes above and beyond people talk about...and it trickles down," said *Rebecca Glashow*, **Discovery** vp, digital media distribution. So, what can cable operators do to help increase the number of HD homes? Southwick suggested that cable match DBS and telcos on the number of HD nets carried and

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create some sort of nationwide messaging. Glashow, however, said there is a case for quality vs quantity. "It's that the shows you want to see are in HD," she said. "You can win by focusing and putting out the right networks."

Insight Earnings: Insight reported strong 3Q results, with revenue increasing 17% year-over-year to \$220mln and adjusted OIBDA totaling \$695mln (+8%). Take out certain non-recurring expenses (like Hurricane Ike) and adjusted OIBDA would have been \$71.4mln, an increase of 11%. Insight continues to grow basic subs, posting a net gain of 9300. In comparison, **Mediacom** was the only public MSO to post a 3Q gain in basics, adding 3K. Insight's HSD service added 20,500, while digital picked up 14,400 new customers. Phone recorded a net gain of 19,200, giving the MSO 20% penetration.

CTAM Notebook: New **CTAM** research shows that VOD and DVRs are driving viewers back to linear TV, with 34% of VOD-only homes and 47% of homes with VOD and DVRs finding a program through On Demand and then seeking it out on the regular channel. 59% of homes with both services and 49% with VOD only say they are more likely to try new programs because of On Demand. -- The supposed consumer thirst for "TV on the PC" may suggest more a desire for flexible viewing rather than a love of watching shows on a computer monitor, said **Maura Fox**, Group vp at **Time Warner Cable** NYC. "I don't think consumers are dying to watch it on the PC," she said. But she said they are going there because it's often the only place where they can find what they want at that moment—so cable needs to offer even more On Demand flexibility. **Jason Krikorian**, **SlingMedia** evp, business development, said "it's a joke, frankly" that consumers currently have so few options for portable content and urged a "huge effort" to convince content owners to be more flexible. He said cable should strive to "own" video distribution over every platform rather than just on the TV screen, noting that the auto industry once balked at building electric cars and now perhaps wishes it hadn't resisted for so many years. -- The push toward IPTV-enabled set tops may sound cutting edge, but "it's 10 times more expensive" to deliver video over IP to a cable set-top vs the "traditional means" of using the RF spectrum, said **Yvette Kanouff**, svp/chief strategy officer at **Seachange International**. "I'll always pick the traditional means because consumers don't know the difference," she said. In another panel, **Hillcrest Labs** evp, market development **Andy Addis** said it's "imperative" that cable integrate online video into the TV experience as "consumers have an insatiable appetite for content."

Hunt 'Em Down: In a conference about clever marketing we like the viral approach of **The Sportsman Channel**. Mostly by word of mouth it's urging CTAMers to (sorry) hunt down its 5 affiliate relations staff and get a colored ribbon from each; the ribbons say CBFF (cable best friends forever) and attach to attendee badges. The first 25 attendees with all 5 ribbons receive an iTouch.

Mark Awards: **Showtime Nets** received the most **CTAM Mark Awards** among content providers, receiving 27 in all (10 gold, 17 silver). **Fox Cable Nets** was 2nd with 21 wins (5 gold, 16 silver). **Cablevision** and **Time Warner Cable** tied for the most honors among cable companies with 10 each (5 gold for CVC and 4 gold for TWC). CTAM bestowed 56 gold awards and 116 silver honors from the more than 900 entries. Time Warner Cable NY won the Top of the Mark Award for its "Meet Sir Charge & Sir Charge: The Tally" campaign. A complete list of winners is at: www.markawards.com.

5Qs with Denise Conroy-Galley, Outdoor Channel svp, marketing and research: Outdoor has shifted its brand from camouflage and animal heads. How have your loyal fans greeted the marketing changes? They love it.



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We've done quite a few focus groups leading up to it. We found out our consumers are actually real sophisticated. What you figure out really, really quickly is that to be a sophisticated television consumer, all you need is a remote. So, our viewers were very aware of what other networks looked like and really what our network should look like. One of the things I look at from a measurement perspective is the volume of folks requesting or wanting to buy apparel or premium items with our brand, and we have a lot of demand for that. **One of the goals for Outdoor is to get distribution beyond the 30-something million mark, how do you see that happening?** That's probably a question better left to CEO *Roger Werner*, COO *Tom Hornish* and [svp, affiliate sales] *Randy Brown*... From my realm, it's what's the marketing piece. We have a really compelling value proposition because there are so many outdoorsman in the United States. There are 87mln people in the US who hunt and fish. Those people are very grassroots, very involved with their local community, and they are loyalists. **Are you looking to widen your audience?** Yes. We've always looked at this as a male network—80% of our viewers are male. We've always positioned ourselves as a male 18+ network. We've always been super strong in 25-54s. We've targeted the 18-34 before, but we weren't super, super successful. I think the rebrand and new programming have helped that along. **What's the biggest mistake programmers make when it comes to branding in your opinion?** I think they probably don't listen to their core audience enough... I think often times people don't do their research well enough. **I understand you're a writer, and a bookworm. What book do you think all Americans should read?** That is such a hard question. Top of mind, there is one I just read a couple months ago called, "Deer Hunting with Jesus." It gives a very nice overview of the American middle class, especially the lower portion of the middle class. I think it's very instructional reading for why we have the country we have today.

VOD: SVOD service WWE 24/7 On Demand is changing its name to **WWE Classics On Demand** to better reflect featured content including historic matches. The service's new look and logo will be heralded on WWE TV shows and at **WWE.com**. -- **Comcast Media Center's** MPEG-2 VOD platform now encompasses more than 30mln VOD-enabled homes and delivers more than 9K on demand assets from over 275 content providers.

Programming: **Lifetime** has commenced production of "Georgia O'Keefe," chronicling the artist's love affair with photographer *Alfred Steiglitz* and featuring *Joan Allen* and *Jeremy Irons*. -- **Military Channel** debuts "Why I Serve" vignettes on Tues, Veterans Day. The personal stories of veterans will run through the rest of the year. Additional content will also be on **Military.Discovery.com**.

Public Affairs: **Cable Positive** notes that President-elect *Barack Obama* visited **Treatment Action Center** during a tour of Africa in '06. Cable Positive began funding the HIV/AIDS center in Khayelitsha, South Africa 2 years later through its One-For-One matching grant program, the cable industry's first intl giving initiative for HIV/AIDS. More info at www.cablepositive.org/oneforone. -- **The Sportsman Channel** is teaming with the **Safari Club Intl Foundation's** "Sportsmen Against Hunger" to launch a "Hunt.Fish.Feed" tour, that kicks off in NYC, Dec 13 and ends in DC during **NCTA's Cable Show**, Apr 4. In each market, local area hunters will donate more than 60 pounds of venison to provide home-cooked meals to those in need.

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GUEST COLUMNIST

New Perspectives on New Media Consumption

It's not by coincidence that CTAM's annual conference is called "Summit." It's a word that describes lofty height and expansive view. And as our marketplace gyrates and shifts, that sort of perspective is more important than ever. In fact, with the right vantage point, sometimes you see things in a whole new way.

An example: We're all aware of the worry surrounding audience falloff spawned by the rapid progression of the digital video recorder. But did you know approx half of DVR users spend more time watching TV—including live TV—than they used to? It's true. And it's one of the insights detected through a CTAM-commissioned consumer survey that yielded fascinating findings about DVR and On Demand television. You'll find it in the October/November issue of the CTAM Pulse that provides highlights from the CTAM Co-op Study, "Watching On Demand and DVRs: The Impact on TV Viewing."

That's just one example. Did you also know that...

- Penetration of HD in digital cable households (47%) is nearly twice that of satellite TV households (25%)? (CTAM Pulse: Tracking Entertainment and Technology.)
- 82% of those who watch video content online are looking for a specific TV program they missed when it first aired on TV? (Tracking the Evolving Use of Television and its Content: Wave 4, Nielsen conducted research for CTAM.)
- 83% of teens report they still watch content on a television set, while 68% watch TV on a desktop or laptop computer? (CTAM Pulse: Teen's Techie Behavior).

These findings reflect a growing CTAM focus on research that helps members apply fresh perspectives about a world that's undergoing convulsive change—and provoking unprecedented opportunity. This year, CTAM has delivered insights aplenty:



Char Beales

- CTAM's 2008 On Demand study of 1,237 digital cable customers found On Demand has achieved broad reach, with 77% of U.S. consumers with VOD available using it. While, this represents 9% of total viewing, online video already captures twice as many viewing hours as VOD.
 - Our June/July CTAM Pulse explored in detail the adoption rates associated with new entertainment and communications platforms, helping readers connect the dots and draw conclusions relating to forthcoming adoption patterns and shifts in fundamental expectations about television.
- As we move into 2009 planning, CTAM members are asking for even more sophisticated and in-depth looks at consumer behavior and how it impacts and informs advertising, multi-platform viewing and new product marketing.

- Television, Online, Mobile: A Deep Dive into the Three Screen Experience: A fascinating human-behavioral study CTAM is conducting in association with NeuroFocus will employ brainwave-monitoring and eye-scanning techniques to evaluate the effect on different video platforms on emotional connections, engagement levels and purchase intent readings associated with advanced advertising.
- The State of Consumption of Entertainment Content: Using Nielsen quantitative behavioral data, this study analyzes simultaneous TV viewing and Internet usage to determine how television and the Internet are challenging legacy assumptions about how (and what) we watch.
- Tracking the Evolving Use of Television and Its Content, Wave 5. CTAM's multi-year study examines trends in consumer consumption, attitudes and behaviors relating to consumer perceptions and awareness of new technologies ranging from HDTV and DVRs to broadband content and mobile video offerings.

In 2009 and beyond, we'll continue to provide fresh insights about the modern media environment. And the perspective to match. (Char Beales is pres/CEO of CTAM).

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