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Tuesday — December 6, 2011

What the Industry Reads First

Volume 22 / No. 234

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MSO Mish-Mash: Sports, SpectrumCo and More at Investor Conference

While **Comcast-NBCU** is getting ready to convert **Versus** to **NBC Sports** next month, don't look for a **Time Warner Cable Sports** net anytime soon. "We're not in the content business. We don't particularly want to be in the content business," TWC CFO **Irene Esteves** said Mon during **UBS'** investor conference. She described the MSO's deal to launch a Lakers RSN as a way to mitigate costs when it comes to expensive, single-team RSNs. "We're taking this opportunity to cut out the middle-man and manage our own programming costs," she said. Obviously, Comcast-NBCU is in the content game, but execs at the confab stressed a disciplined approach to sports rights. "We're not interested in losing money on sports... We actually got blown away on US rights [for the World Cup]," Comcast CFO **Michael Angelakis** said. **Fox** picked up the broadcast rights for the '18 and '22 soccer tournament, while NBCU's **Telemundo** scored Spanish-language rights. Calling Telemundo a "distant No. 2" Hispanic net, he said the deal made sense financially and strategically. Programming costs continue to be challenging, even if you're Comcast. "We're continuing to fight the good battle," Angelakis said. Comcast is looking to offset costs with efficiencies, with repeat service visits 12%, customer-related calls down 10mln and truck rolls also declining. Time Warner Cable can brag that 6 of its largest deals were renewed in the last few years, according to Esteves. She said that means more than half of TWC's programming costs have already been renegotiated. Programming costs have risen 8% in the past 2 years and will be in the same range in 2011, Esteves said. With both companies part of Fri's massive \$3.6bln **SpectrumCo** announcement, there were plenty of **Verizon Wireless** questions. In short, it may take 12 months for the spectrum sale to close, but on the retail front, there should be product integration early next year. **Comcast Cable** pres **Neil Smit** said the MSO will sell Verizon Wireless products in 4 markets early next year. **Xfinity2Go** with **Clearwire** and **Sprint** will discontinue over the next 6 months, with Comcast not expecting that to be problematic as it only has 30K subs (Comcast will continue to hold its 9% equity stake in Clearwire). And this is about more than a quad-play. "It doesn't have to be a quad play... It just offers another arrow in our quiver to provide more value," Smit said. TWC's Esteves said in the short term, the companies would be selling each other's products and may come up with some new offerings, but she didn't provide a timeline. "We'll be offering a great wireless product to customers without making a tremendous investment," she said, adding that the deal does not impact TWC's WiFi strategy. The 2 MSOs continue to put forth 2 different views on usage-

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Entry Questions: Mary Lou French at 301-354-1851; mfrench@accessintel.com

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based pricing. Esteves repeated TWC's mantra that it's inevitable, but education (ie, a metering tool) has to take place first. Smit said there doesn't seem to be any reason to implement it now. "As long as we're gaining share and have capacity, it makes sense to continue with the existing regime," he said. "We don't want to nickel and dime customers at this point." How is the cable market trending right now? "Sluggish, but stable," said Smit.

TV of Tomorrow: Perhaps *Bob Ivins* summed it up the state of iTV advertising best at Mon's **TV of Tomorrow NYC** conference: "We're cautiously optimistic that it looks really promising," said the vp, research and data products at **Comcast Spotlight**. In other words, too soon to break out the bubbly. "We see increase in brand awareness when there's an RFI on top of the ad versus when there's not," he said. But interactive is "starting to be meaningful in terms of growth to our advertisers" and spurring repeat customers, he said. *Jonathan Bokor*, GM of interactive TV, **Canoe Ventures**, said research on RFI engagement suggests that "the whole audience experiences brand lift." Canoe is just now "starting to build a sales pipeline," said Bokor, noting Canoe's trial of its polling and trivia application on **G4**, which Bokor said is "seeing great numbers." Meanwhile, *Michael Bologna*, managing partner/dir of emerging communications, **GroupM**, said challenges remain, including the diversity of cable systems and their varying degree of interactive capabilities. Recreating that experience on every cable op, telco and DBS "takes time, and time takes money," said Bologna. "Data points are different for each and every system." But he said that makes Canoe even more important. "Big advertisers are absolutely looking for that," he said. "But it's expensive." Meanwhile, he said more smart TVs means cheaper-to-build iTV ads. Bokor said that over time Canoe intends to bring in satellite and telcos into the platform, but "it can't be this complex thing. We need to put our networks into a place where they can be flexible."

UBS Notebook: **Viacom** pres/CEO *Philippe Dauman* stood by his recent comments targeting data collection errors by **Nielsen** as the reason **Nickelodeon's** ratings have declined substantially this quarter. "We're not the only company who's voiced concerns here," said Dauman of constant changes in Nielsen's HH sample that have led to similar ratings "anomalies" in the past. "As of now, however imperfect Nielsen is, it's the only game in town." Nickelodeon will air more new shows during the remainder of the year than ever before, he said, adding that although "there's not much we can do about this quarter... [the ratings situation] will rectify itself substantively." Perhaps adding color to both Dauman's claims about Nielsen and Nickelodeon's recent woes, Nielsen said it failed to apply a standard adjustment for YOY comparisons when recently giving *WSJ* erroneous viewership data. Instead of the 1.7% increase in season-to-date TV viewing among kids it previously reported, Nielsen said viewership in the demo has actually declined 2.9%. -- After playing catch-up to some extent, **Charter's** ready to play offense in '12 with HD at a competitive level and via its HD DVR deal with **TiVo**. With switched-digital video deployment to be all but complete at month's end, Charter will have 75 HD channels on avg per market this year and a target of 100+ in key markets in '12, said outgoing Charter pre/CEO *Mike Lovett*. On VOD, he said Charter has been limited because of its user interface, but that's being remedied with its TiVo deal. Full-production installs with TiVo are slated to begin this week in pilot market Fort Worth, he said. By the end of the year, a couple more markets will feature the TiVo offering and should be available to the entire footprint through the 1st half of '12. "We do anticipate marketing this product aggressively that's part of playing offense," Lovett said.

Retrans: Leave our shared services agreements alone, **NAB** says. In a meeting last week with a key **FCC** staffer of comish *Michael Capps*, NAB discussed the public interest benefits of such an arrangement. While cable has asked the FCC to look into these arrangements as it examines media ownership rules, saying they provide unfair leverage, NAB argues some stations need them to achieve efficiencies. NAB warned that MVPDs are trying to import retrans consent into the quadrennial review of media ownership rules despite a pending FCC retrans proceeding. "We stressed the critical importance of ensuring that any evaluation of the impact of market structure on retransmission consent take an equally hard look at the MVPD market, which is highly concentrated at the local, regional and national levels," NAB said in an ex parte.

Apps: Foreshadowed by pres *Pat Esser* last month (*Cfax*, 11/16), **Cox** launched its **TV Connect** app Mon in all markets, allowing subs to watch live streaming video via iPads while at home. Initial access to the free app covers Cox customers with Preferred, Premier or Ultimate Cox broadband service, Cox TV Essential service or higher and a DOCSIS modem.

Xbox: **Xbox Live** subs officially receive access Tues to **Epix**, **Hulu Plus** and **ESPN on Xbox Live** via their gaming consoles, and to approx 26 cable nets through **FiOS TV** later this month. The launch of **Comcast's Xfinity on Demand**, however, has been pushed back to early next year, when access to **HBO Go** and **CinemaNow** will also go

BUSINESS & FINANCE

live. **Microsoft** said more than 57mln consoles will receive the free content upgrade.

People: *Mae Douglas* will retire from **Cox** at year-end, with *Rhonda Taylor* joining the senior exec team as evp, CPO. Taylor previously served as the sr HR exec in Cox's LA system. Before joining Cox in '08, she was at **Citigroup**. -- *Jonas Larsen* was promoted to svp, talent and special at **Comedy Central**. -- **Oxygen Media** tapped *iVillage's Tony Carbone* for the new role of vp, digital. -- **Bravo Media** upped *David Brewer* to vp, program strategy and acquisitions. -- *Dan Weinberg* joined **CBS Sports Net** as svp, programming. -- **TV One** welcomed *Linda Finney* as svp, marketing, named *Scott Perkins* svp, creative services and tapped *Orlena Blanchard* as svp, digital marketing. -- **Knology** appointed *Royce Ard* vp, sales and marketing.

Business/Finance: **Clearwire** announced plans to offer \$300mln of its Class A common stock in a registered public offering, and expects to grant the underwriters a 30-day option to purchase up to an additional \$45mln of its Class A shares. **Sprint** agreed to exercise its pro rate preemptive rights regarding the offering and upon exercise, will purchase in a separate transaction only Class B CLWR shares and a corresponding number of Class B Interests in **Clearwire Comm, LLC**.

CableFAX Daily Stockwatch

Company	12/05 Close	1-Day Ch	Company	12/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	46.95	0.13	CLEARWIRE:	2.25	0.11
DISH:	27.37	1.16	CONCURRENT:	3.34	(0.06)
DISNEY:	36.94	0.33	CONVERGYS:	12.88	0.28
GE:	16.33	0.24	CSG SYSTEMS:	15.25	0.26
NEWS CORP:	18.15	0.15	ECHOSTAR:	23.45	0.38
MSOS					
CABLEVISION:	14.94	(0.2)	GOOGLE:	625.65	5.29
CHARTER:	52.04	(1.04)	HARMONIC:	5.48	0.17
COMCAST:	23.15	(0.21)	INTEL:	25.01	0.37
COMCAST SPCL:	22.92	(0.27)	JDSU:	10.71	(0.2)
GCI:	10.18	0.14	LEVEL 3:	20.89	0.44
KNOLGY:	14.54	0.27	MICROSOFT:	25.70	0.48
LIBERTY GLOBAL:	39.75	(0.63)	MOTOROLA MOBILITY:	38.89	0.11
LIBERTY INT:	16.13	0.26	RENTRAK:	14.15	(0.09)
SHAW COMM:	19.82	(0.27)	SEACHANGE:	7.59	0.14
TIME WARNER CABLE:	62.71	(1.09)	SONY:	17.88	0.11
VIRGIN MEDIA:	22.22	(0.21)	SPRINT NEXTEL:	2.65	0.05
WASH POST:	350.34	(16.37)	THOMAS & BETTS:	53.10	1.09
PROGRAMMING					
AMC NETWORKS:	35.15	0.49	TIVO:	10.05	0.48
CBS:	25.64	0.08	UNIVERSAL ELEC:	16.09	(0.57)
CROWN:	1.46	UNCH	VONAGE:	2.65	0.07
DISCOVERY:	41.64	0.15	YAHOO:	15.89	(0.16)
GRUPO TELEVISA:	20.70	0.35	TELCOS		
HSN:	37.28	0.92	AT&T:	29.15	0.19
INTERACTIVE CORP:	43.24	0.79	VERIZON:	38.05	0.20
LIONSGATE:	8.54	0.13	MARKET INDICES		
LODGENET:	2.31	0.04	DOW:	12097.83	78.41
NEW FRONTIER:	1.06	(0.01)	NASDAQ:	2655.76	28.83
OUTDOOR:	7.19	0.33	S&P 500:	1257.08	12.80
SCRIPPS INT:	40.88	0.58			
TIME WARNER:	34.57	0.16			
VALUEVISION:	2.17	0.10			
VIACOM:	49.85	(1.29)			
WWE:	9.98	0.10			
TECHNOLOGY					
ADDVANTAGE:	2.15	0.13			
ALCATEL LUCENT:	1.68	0.01			
AMDOCS:	28.69	0.23			
AMPHENOL:	45.83	0.76			
AOL:	14.46	(0.01)			
APPLE:	393.01	3.31			
ARRIS GROUP:	10.60	0.02			
AVID TECH:	7.73	0.13			
BLNDER TONGUE:	1.25	(0.05)			
BROADCOM:	30.42	0.43			
CISCO:	18.79	0.24			

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EYE ON INNOVATION

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Through addressable, interactive and other new ad types, things are really beginning to percolate in the marketing space. Unfortunately, I am still routinely subjected to irrelevant spots such as those for diapers or Metamucil, and that likely won't change in the near future. Yet **Cablevision**, which has been delivering ads from certain marketers on a HH-specific basis for months, spotlights the ad capabilities that can (and should) be deployed where possible, and the MSO's partner **Visible World** is helping the cable industry move toward a day when the only ads I see are related to sports, electronics, cars or travel. The company currently allows more than 200 advertisers to deliver more effective and more accountable campaigns to consumers in approximately 80% of US cable TV homes, and its release last week of a **tru2way**-compliant addressable ad solution indicates that more cable customers and marketers will soon benefit from targeted spots.

For one thing, Visible World's new solution helps overcome technical issues, a key impediment to widespread deployments of addressable ads. Different ops use different set-top and other tech, sparking a need for separate advanced ad delivery solutions. Now, though, with a growing number of ops rolling out tru2way-powered devices ranging from basic TV receivers to home gateways, Visible World appears poised at the vanguard.

Our tru2way solution is an "enormous step," said Visible World CTO *Gerrit Niemeijer*, not only because "it makes it as easy as possible to deploy addressable advertising tech" but because it also allows for both household-level and zoned targeting. As in, through addressing me specifically or just everyone in my neighborhood.

Niemeijer said marketers may opt against delivery to the HH level due to privacy concerns, bandwidth issues or other practical reasons—but at least the option is now available to more of them. Such refined targeting is



"definitely valuable," said Niemeijer, noting how the direct mail industry effectively uses the tactic. As such, he said, many advertisers "are using a very blunt instrument right now."

Importantly, since Visible's technology allows marketers to use general demo, industry-specific or proprietary data to better deliver ads, Niemeijer said MSOs' own marketing teams are able to reap great benefits.

"They are the perfect candidates to use this tech," said Niemeijer. "They know exactly what their subscriber bases are doing."

Because they are armed with all kinds of customer data with which to drive effective targeting, he said, MSOs may in fact represent a more important opportunity for Visible than marketers themselves. Amid a fiercely competitive marketplace, he said, MSOs now have a tremendous opportunity to market their own products and services to the most receptive eyeballs.

Besides its new tru2way solution, Visible has been quite busy advancing the ad market. As alluded to previously, the company's tech was used by Cablevision to simultaneously deliver ads from 5 different **GroupM**-repped brands sharing a single 30-second unit across nearly 3mln homes late last year, and the campaign sub-divided spots across more than 25 cable nets. In July, Visible announced it can create and deliver HD commercials, allowing advertisers to send customized messages to those viewers who watch high-def channels. And in Oct, **Cox** signed on to use its targeted ad tech to deliver more relevant offers to its more than 6mln video, voice and HSD subs. The MSO applied the tech's audience demo data to identify who will find specific spots or versions relevant and ultimately change parts of entire spots.

Niemeijer expects similar percolation to begin hitting the tru2way market in the 1st half of next year.

-Chad Heiges

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