

# CableFAX Daily™

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What the Industry Reads First

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## Julius's Box: FCC Opening Itself to Myriad Online Questions

If the FCC's controversial net neutrality order and its less-than-straightforward rules governing online traffic management didn't produce ample concern, now the Commission is working toward imposing conditions on the **Comcast-NBCU** deal related to online video that may further muddle the picture. Without providing specifics, officials on Thurs said the **FCC** seeks to ensure that Comcast won't stifle competition in the online video space when it takes over **NBCU/News Corp/Disney** jv **Hulu**, perhaps by slowing the delivery of content from competitors such as **Netflix** or by preventing access to certain programming. Industry sources said the conditions will likely define what an online video provider is vis a vis a traditional MVPD, and also include a mechanism requiring Comcast-NBCU to share its content with competing online video providers who request it. And the requirement may apply differently to various content based on the outlet (broadcast, VOD, cable, online) for which it was 1st created. In short, program access complaints 1st encountered through linear disputes could carry over to the Web. Trouble is, sources believe only Comcast-NBCU would be beholden to any new online video access rules as the FCC lacks the authority to apply them to everyone. As such, Comcast has cautioned the FCC to be very careful in crafting any online conditions to the transaction. **Stifel Nicolaus** believes the FCC's "emphasis on addressing transaction-specific harms, rather than broader industry concerns, is an encouraging sign for Comcast-NBCU. It suggests the conditions will be more disciplined and tied to harms created by the deal, rather than using the deal as a vehicle to push policy objectives. In particular, we believe it could lead to more targeted and restrained conditions related to over-the-top (OTT) video." Yet some pundits wonder if the conditions will serve as a death knell for Hulu because it may lose exclusive NBCU content—a question made even more interesting because News and Disney, if not NBCU, would apparently remain free to offer proprietary content on the site. Comcast's role as a distributor adds additional intrigue to the FCC's recent foray into online oversight. The Commission's net neutrality order states that "pay for priority" arrangements between broadband service providers and Web services won't generally pass oversight muster, but at the same time it allows for reasonable network management practices by providers in addressing the effects of network congestion, among other instances. Regarding Netflix, then, what's to prevent Comcast or any other MSO from curtailing the delivery of Netflix's popular streaming content based on congestion concerns, or from charging

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the company, similar services and CDNs like **Level 3** exorbitant delivery fees through similar justification? As **BTIG** analyst *Rich Greenfield* wrote in a recent blog, “with consumers increasingly ‘sucking in’ more bytes of information than they send out over the Internet, we wonder whether ISP profits (at companies such as Comcast and Time Warner Cable) could rise well above expectations due to payments from CDNs like Level 3.” From whatever vantage these potential practices are viewed, it’s not difficult to foresee a long line of disputes at the FCC’s doorstep because of an order that appears more vague than explicit. And the online conditions under consideration for the Comcast-NBCU deal may or may not add clarity to the way the FCC views video operations in the online world.

**Comcast-NBCU:** The **National Coalition of African American Owned Media** said **Comcast** and **NBCU**’s recent MOA with African American organizations (*Cfax*, 12/20) is seriously biased. “If Comcast was truly serious about presenting an effective MOU, they would have negotiated with NCAAOM, and they have not, because they know we will not accept token donations to endorse a bogus MOU,” said NCAAOM. “This type of activity should be more than enough for **FCC** Chairman *Julius Genachowski*, Commissioners *Michael Copps* and *Mignon Clyburn* and Attorney General *Eric Holder*, **Department of Justice**, to deny this merger...”

**Retrans:** **Raycom** is warning viewers of its stations across the nation that **DirectTV** may cease carrying the related programming if ongoing negotiations for a new retrans deal can’t be forged by Sat—leaving the DBS op perplexed. The pair’s current contract has been automatically renewed until Dec 31 ’11, said DirectTV, so “customers should ignore Raycom’s messaging and scare tactics...they are mistaken, the stations will remain up.”

**In the States:** The **OH Supreme Court** upheld a state sales tax that applies to DBS ops but not cable providers, scuttling **DirectTV**’s appeal of the 7-year-old tax that generates approx \$44mln/yr based on an argument that it violates satcasters’ rights to interstate commerce. Justice *Terrence O’Donnell* said Ohio lawmakers “imposed a sales tax that makes no distinction between local and interstate commerce, but rather distinguishes based on the mode of distributing television programming.” Last week, DirectTV and **DISH** filed suit against the UT State Tax Commission for a similar tax in that state (*Cfax*, 12/21).

**5 Qs with Christopher Giglio of HL Group:** Whether it’s the latest retrans fight or something else, basic principles of crisis mgmt can come in handy. For a refresher course, we spoke to **HL Group** corp vp and crisis mgmt expert *Christopher Giglio*. An extended version of this interview is available at [www.cablefax.com](http://www.cablefax.com). **Retrans disputes are pretty cable specific. But what are some universal principles?** In so many of these disputes that are one party versus another...he-said/she-said will attract spectators but it doesn’t attract participants. What they really want to do here is attract people to their side, and the best way to not be defensive and attract participants is make it about the person you’re trying to attract. **Put that in the context of a retrans dispute.** Make an argument that’s going to speak to the consumer, respect the consumer and really keep the consumer as a player in your argument. You want to co-opt them to bolster your side so you win the debate... What galvanizes support is when you make it about something other than yourself, about something broader. I think that’s what a lot of folks don’t understand in a very consistent way. **The MSO says it’s about keeping rates down; the programmer says it’s about funding quality content. But does that really resonate with the public one way or another?** No, they probably really don’t care. But especially in this economy, value is one of the most important precepts to advance... I think to say that one company is bigger and badder and so forth is really not going to resonate for the consumer. It might for the journalist. People are going to write it and understand it, but it’s not really going to move the ball. I think if you convince people that you’re coming at something from a fair spot, you’re offering them value, it’s something they rely on and something they’re going to want in the future, I think those are the most important points to make. **Whether it’s a cable dispute or the BP oil spill, what do you think is the biggest mistake companies make with crisis communications?** The biggest mistake is first of all not owning up to issues that are obvious. At times of crisis, people yearn for two things: Accountability and leadership. And those two factors should be a component of every single message you make. That’s number one. **And number two?** Number two is consistency. When there is crisis in the air and people are reading about it, listening about it and speaking about it, they become naturally an incredibly skeptical audience. You get a hundred times more scrutiny at a time like this than you would normally, so make sure your message is tight, make sure it’s progressive, make sure it’s moving along in a very consistent way, and you’ll be fine.

# BUSINESS & FINANCE

**Ratings:** NFL Net's Christmas night coverage of the Cowboys-Cardinals matchup averaged 7.8mln viewers to top all cable programming for the day, and helped the net's live game slate average a record 5.7mln viewers this season, up from 5.5mln last season.

-- **ABC** and **ESPN** earned the largest cume audience ever for **NBA** action on Christmas Day, as ABC's double-header doubleheader averaged a 5.5 Nielsen fast national rating and ESPN's 3 telecasts averaged a 1.8 HH coverage rating. Compared to last year's 5-game slate, HH ratings were up 45% on ABC and 20% on ESPN.

**Programming:** Outdoor Channel's slate of 19 new 1Q shows—all produced in 100% native HD—includes "Wardens" (Thurs), chronicling the lives of conservation officers in America (the '11 season focuses on MT), and features personalities including *Ted Nugent, Michael Keaton, Tom Brokaw* and *Jeff Foxworthy*.

**On the Circuit:** WICT named its New England chapter as Chapter of the Year for the 2nd consecutive year, for outstanding performance in areas including programming, governance and membership. Also, the org named as Chapter President of the Year *Tracy Baumgartner* (Rocky Mountain Chapter), **Comcast West Div** vp, public relations, and as Chapter Advisor of the Year *Mary Murano* (NY Chapter), **NBCU** evp, TV Network Distribution. For WICT's '11 chapter presidents and advisors, see [WICT.org](http://WICT.org).

## CableFAX Daily Stockwatch

Company	12/27 Close	1-Day Ch	Company	12/27 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	39.64	(0.28)	AVID TECH:	17.86	0.02
DISH:	19.24	(0.07)	BIGBAND:	2.68	0.07
DISNEY:	37.48	(0.22)	BLNDER TONGUE:	2.05	UNCH
GE:	18.19	0.15	BROADCOM:	43.68	0.04
NEWS CORP:	16.32	(0.18)	CISCO:	20.16	0.47
<b>MSOS</b>					
CABLEVISION:	33.57	(0.21)	CLEARWIRE:	5.07	(0.07)
CHARTER:	38.17	0.06	COMMSCOPE:	31.26	0.03
COMCAST:	22.10	(0.08)	CONCURRENT:	4.90	(0.2)
COMCAST SPCL:	20.72	(0.13)	CONVERGYS:	13.27	(0.06)
GCI:	13.20	0.21	CSG SYSTEMS:	19.08	0.13
KNOLOGY:	15.31	(0.07)	ECHOSTAR:	23.50	0.03
LIBERTY CAPITAL:	63.32	0.32	GOOGLE:	602.38	(1.85)
LIBERTY GLOBAL:	34.99	0.01	HARMONIC:	8.55	0.02
LIBERTY INT:	15.89	(0.04)	INTEL:	20.84	UNCH
MEDIACOM:	8.45	(0.01)	JDSU:	14.56	0.30
SHAW COMM:	20.97	(0.05)	LEVEL 3:	0.96	(0.01)
TIME WARNER CABLE:	65.97	0.60	MICROSOFT:	28.07	(0.23)
VIRGIN MEDIA:	26.48	UNCH	MOTOROLA:	8.99	(0.06)
WASH POST:	431.30	(0.63)	RENTRAK:	30.15	0.42
<b>PROGRAMMING</b>					
CBS:	19.29	(0.09)	SEACHANGE:	8.84	(0.07)
CROWN:	2.68	0.03	SONY:	35.61	0.04
DISCOVERY:	41.87	(0.28)	SPRINT NEXTEL:	4.27	0.08
GRUPO TELEVISA:	25.94	(0.04)	THOMAS & BETTS:	48.47	0.19
HSN:	31.19	0.34	TIVO:	8.62	(0.13)
INTERACTIVE CORP:	29.83	0.12	TOLLGRADE:	9.07	0.02
LIBERTY:	39.18	0.20	UNIVERSAL ELEC:	29.55	0.47
LIBERTY STARZ:	66.62	(0.07)	VONAGE:	2.37	(0.04)
LIONSGATE:	6.56	0.08	YAHOO:	16.48	(0.24)
LODGENET:	4.00	0.06	<b>TELCOS</b>		
NEW FRONTIER:	1.72	(0.03)	AT&T:	29.25	0.05
OUTDOOR:	7.03	UNCH	QWEST:	7.70	0.02
PLAYBOY:	5.27	0.02	VERIZON:	35.50	0.06
SCRIPPS INT:	52.50	(0.17)	<b>MARKET INDICES</b>		
TIME WARNER:	32.27	(0.04)	DOW:	11555.03	(18.46)
VALUEVISION:	4.88	0.07	NASDAQ:	2667.27	1.67
VIACOM:	45.87	0.20	S&P 500:	1257.54	0.77
WWE:	14.50	0.14	<b>TECHNOLOGY</b>		
<b>TECHNOLOGY</b>					
ADVANTAGE:	3.10	(0.1)			
ALCATEL LUCENT:	2.86	(0.03)			
AMDOCS:	27.01	0.02			
AMPHENOL:	52.91	0.39			
AOL:	24.05	(0.34)			
APPLE:	324.68	1.08			
ARRIS GROUP:	11.21	0.14			

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# EYE ON ADVERTISING

## Revenue Prescription

**Medica** is a health care insurance provider for more than 1.6mln people in Minnesota and neighboring counties in Wisconsin, North Dakota and South Dakota. The company isn't engaged in any sexy promotions or headline-grabbing brand integrations. But in the face of health care reform and new legislation, it is rethinking its advertising strategy and—with ad dollars to spend on reaching potential new members—it's exactly the kind of company cable should be talking with. Here's what Larry Bussey, Medica director of communications, told Cathy Applefeld Olson about its current and future ad plans.



**What portion of your advertising budget is earmarked for television?**

LB: Currently we spend less than 25% on television—a good portion of that on cable, mainly **Comcast** in the state. And most of the TV we do is direct-response TV.

**What programming and/or dayparts does Medica tend to focus on?**

LB: Our most recent DRTV campaign was timed to coincide with **Medicare's** annual enrollment period—early October through the end of December. Our dayparts are pretty evenly split between early morning, daytime and early fringe, Monday through Friday. We've targeted times and shows that appeal to seniors, including news programming and [game shows]. Ads are running in the Twin Cities metro and Duluth markets.

**How would you characterize your negotiations with the cable operators?**

LB: The bottom line for us is the value the promotions bring, and how cost per response and cost per acquisition compare with the other media that we rely on—primarily direct mail.

**What are you looking to gain by advertising in the cable environment?**

LB: We are trying to do a couple different things with our

advertising. Direct response is clearly about reaching prospects directly and engaging them. The other thing that's important for us—and this is a product of health care reform and the changing market where we'll be moving to an exchange-based marketplace where consumers are making a lot more personal choices about their plan—is to build more brand identity in that new and emerging market. Communicating our brand value becomes more important, and we will have an increasing emphasis on more general, brand-oriented promotions on TV, print and online. We haven't done as much brand work in the past.

**As Medica moves into a broader branding effort, do you expect to expand your ad buy on cable?**

LB: We will expand selectively on cable because of the ability it gives us to reach targeted audiences. However, television advertising is likely to continue to play more of a supporting role in our marketing campaigns.

**Where else will you be putting those ad dollars?**

LB: We also rely on print, out-of-home, radio, direct mail, SEM [search engine marketing] and selective sponsorships, like sports teams. SEM is an area where we are likely to expand.

**Do you have any specific statistics on the effectiveness of your most recent direct response campaign?**

LB: With the current campaign, the primary call to action was phone. The ads were meant to drive attendance at community meetings. Since we have multiple promotions going on in support of the community meetings, it's hard to tell precisely how much impact the DRTV ads are having on driving attendance. For example, someone may see a DRTV ad. But then end up RSVP'ing based on a phone number they received in a direct mail piece. That said, DRTV cost per response seems to be trending higher than other media we are using.

-Cathy Applefeld Olson

## The CableFAXIES awards

**DEADLINE: JANUARY 21, 2011**

**ENTER AT: [www.CableFaxiesAwards.com](http://www.CableFaxiesAwards.com)**

**Entry Questions:** Mary-Lou French at 301-354-1851; [mfrench@accessintel.com](mailto:mfrench@accessintel.com)

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The CableFaxies Awards salute the year's most outstanding communications initiatives and programs in the highly competitive and dynamic Cable arena. The coveted awards set the industry benchmark for excellence across all areas of PR and marketing.

The Winners of the CableFAXIES Awards are from networks, operators, PR firms, vendors, corporations, agencies and other entertainment companies who took chances, made tremendous strides and understand the power of PR and marketing in the cable industry. The winners and honorable mentions will be saluted during an awards event in April 2011 in New York City.