

Cablefax Daily™

Tuesday — July 21, 2015

What the Industry Reads First

Volume 26 / No. 138

Complementary Thinking: Looking Beyond Price When it Comes to Video

There's an almost visible question mark hanging over The Independent Show in Boston this week—how do you make video with its ever-increasing costs best fit the business model in this digital age. You could see glimpses of operators' interest in the issue at the packed demo for **Sony's** new Vue OTT service. You could hear the buzz in the hallways, and it dominated discussions at a members-only CEO panel. Enter **Harvard Business** prof *Bharat Anand*, whose presentation to the indie crowd Mon had several operators we spoke to proclaiming that they can't wait to read his forthcoming book on the subject (look for it this spring). All that stuff you've heard about disruptors and threats... put it aside for a moment. Anand, who also serves as chair of **CTAM U**, turned some of the assumptions about the digital media transformation on its head. After outlining the current state of the TV industry—large number of new entrants, increased programming costs, competition from video games and other personal devices, ad skipping—he dropped this nugget: this was exactly the state of the television industry in 1986. Heard the one about Napster blowing up the music industry business model before? Consider this: the drop off in CD sales mirrored other changes in formats—from LPs to cassettes and cassettes to CDs, suggesting it's the format, not piracy that was the main culprit. Similarly, when newspapers' profits fell it was important to understand this wasn't a news problem—people still wanted news, but formats and habits were changing. The same applies with cord-cutters, Anand said, suggesting the reasons for dropping video could come down to age, poverty and a host of other factors. "Until we know that, it's really hard to take strategic action," he said. On the other hand, "if you wait for the problem to show up in financials it's too late." One thing to consider, he said, is that innovations tend to thrive by the complements available, not just the product itself. Think of how ketchup complements hot dogs. Or apps complement broadband. His advice: look for complements outside of your core competencies. One such radical thought has been movie theaters providing childcare... According to Anand, they're able to charge double the ticket price and are selling out shows. "Complements create value and profit opportunities," he said. In the cable world, Anand often hears 'how are we losing subs despite a better product offering—faster, better pipes with more content?' "The instinctive answer is 'it must be price,'" he said, but he urged the audience to look beyond that and consider complements, such as interface, HDTV, recommendations, live sports, etc. As for competition, he warned of a history of mistaking complements for

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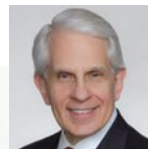
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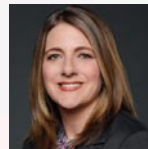
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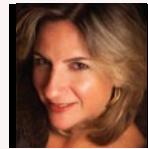
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substitutes (examples, radio and music or VCRs and movies. Even DVRs and advertising). “History tells us that when we think something is a threat, it’s often a complement,” Anand said. As he encouraged companies to adopt more strategic thinking vs financially anchored thinking, Anand gave an example from his own career. As the chair of Harvard Business School’s digital learning initiative, a few years ago he had to decide whether to follow some of Harvard’s peers and offer free online courses. On the face of it, charging \$1500 or more for online courses wasn’t sustainable given the free classes on the market, but Harvard went that route and has succeeded by offering really good content. “Price is just an outcome,” he said. “We see product after product where the higher-priced product offers a phenomenal experience.”

Indy Notebook: A huge crowd gathered at The Independent Show around **Sony’s** Vue, its OTT streaming service available now on Playstation consoles. A rep for Sony said it will be made available to cheaper devices (think **Amazon** Fire or Chromecast) in the coming months. An average user of Vue is streaming more than 6 hours of TV a day, the rep said. That prompted a question from the audience about potential issues with broadband caps. Generally, these households were already big streamers before Vue launched, but a future release of Vue will allow customers to cap the bit rate at a lower level to decrease bandwidth usage, the rep said. Also being shown off at the show’s “Demonstration Theaters” Mon was **TiVo’s** offerings with cable operators. And **ACA** used the demo time to offer up regulatory checklists for small operators.

AT&T/Starz Contract Talk: **AT&T** and **Starz** have been negotiating a contract renewal for a few months but have yet to agree on key terms. The current agreement has been extended and will expire at the end of the month. “Starz is in ongoing negotiations with AT&T U-verse to continue distributing its 30 STARZ and **ENCORE** channels and services at a fair and reasonable rate. Without a new agreement, the millions of AT&T customers who have chosen to subscribe and pay for STARZ and ENCORE will be at risk of losing these channels and the popular original programming like ‘Power’ and ‘Outlander,’ as well as thousands of movies. Starz has enjoyed a strong and mutually beneficial relationship with AT&T until now. We are hopeful AT&T will negotiate in good faith and that we will reach a fair agreement that allows its customers to continue to get great entertainment at a good value,” a spokesman said. A potential dispute and loss of Starz channels won’t look good for AT&T as it works to win regulatory approval for its merger with **DirecTV**. “We are disappointed that STARZ has chosen to take our ongoing negotiations public. We continue to work diligently to reach a resolution. Beyond that, we cannot comment,” an AT&T spokeswoman said. Starz launched on AT&T in 2006.

Cablevision Scores Patents: **Cablevision** has received a patent for technology related to an audience measurement and analytics system. Titled “System and Method for Set Top Box Viewing Data,” the patent covers services for capturing, synthesizing and running analytics against viewing data.

History’s Ranks: **History**, fresh off its 11 Emmy nominations, took the top spot in BrandIndex, Buzz and Quality among all 50 Cable Television networks measured for the 2nd quarter of 2015 in total respondents, according to **YouGov’s** BrandIndex, a daily measure of brand perception. It is the 15th consecutive quarter that History has ranked #1 for Buzz among all nets, and the 11th straight quarter that History has ranked as the Highest Quality network. History also ranks 19th out of more than 1400 brands in overall brand health among adults 18+ in 2Q. It is the only television network to land in the top 20.

Broadcast M&A: Broadcast station M&A volume reached \$223.3mln in the 2nd quarter of 2015, including \$98.2mln in TV station deals and \$125.1mln in radio transactions, according to **SNL Kagan**. The deal total in the quarter was almost twice the amount registered in 1Q (\$120.5mln). Major TV station group deals in the 1st half of 2014 included the **Granite Broadcasting** 11-station sale for \$300mln in Feb; the **LIN Media** and **Media General** \$2.5bln merger announcement in March; the **Graham Holdings’** divestiture of Miami **NBC** affil **WPLG** to **Berkshire Hathaway** for \$364mln, also in March; **Gannett’s** purchase of **London Broadcasting’s** 6 stations in TX for \$215mln in May; and the **21st Century Fox’s** TV station swap with **Cox Media Group** in June valued at \$859.3mln. The research firm sees continued appetite for additional station consolidation. That said, the **FCC’s** incentive auction scheduled for 2016 has TV station owners in major markets holding out for potentially higher spectrum values.

Ratings: The July 12 season finale of **Animal Planet’s** docu-series “The Last Alaskans” bagged a series high with 1.8mln P2+ viewers based on Live+3 performance. The freshman series averaged 1.5mln P2+ viewers during its 1st season. -- The scripted 3-night event-series on **Spike** “TUT” launched Sunday with 2.6mln viewers for night 1, including the premiere

BUSINESS & FINANCE

telecast and 2 encore presentations that followed. The premiere telecast drew 1.7mln viewers, making it the largest audience for the net in this timeslot in 7 years. The following airings scored 661K and 273K viewers respectively. -- **TV One** was #1 on cable in primetime among black adults 25-54 on July 15 thanks to a strong season 8 finale of docu-series "Unsung." The ep delivered a Live+3 0.91 HHLD (515K), 0.82 W25-54 (243K) and 0.77 18-49 (236K). Also contributing to the night was season 2 premiere of "Hollywood Divas," which earned 0.87 W25-54 (260K) and 0.81 W18-49 (247K), 0.75 HHLD (425K).

Programming: Travel Channel is expanding its "Hotel Impossible" franchise to include 2 new shows, "Hotel Impossible: Five Stars Secrets" and "Hotel Impossible: Showdown," both slated to premiere in the coming months. Meanwhile, "Hotel Impossible" returns for a 6th season on Sept 1.

People: Jared Sher, vp and associate general counsel for **21st Century Fox**, was named svp. He reports to **Ellen Agress**, svp and deputy general counsel. -- **Visible World**, the targeted and programmatic advertising tech provider owned by **Comcast**, tapped **David Kline** as pres/COO. Comcast acquired the company, which counts major MSOs including **Bright House, Cablevision, Charter, Time Warner Cable** and **Cox** as customers, in June. Kline was a longtime exec at **Cablevision Media Sales**.

Cablefax Daily Stockwatch

Company	07/20 Close	1-Day Ch	Company	07/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	93.15	(0.31)	COMMSCOPE:	26.20	0.02
DISH:	66.39	(0.66)	CONCURRENT:	6.34	(0.08)
ENTRAVISION:	7.92	(0.09)	CONVERGYS:	25.60	UNCH
GRAY TELEVISION:	17.85	0.25	CSG SYSTEMS:	31.42	(0.18)
MEDIA GENERAL:	16.81	0.38	ECHOSTAR:	47.55	(0.41)
NEXSTAR:	58.75	1.35	GOOGLE:	663.02	(9.91)
SINCLAIR:	29.46	(0.04)	HARMONIC:	6.72	(0.06)
TEGNA:	32.19	UNCH	INTEL:	29.10	(0.37)
MSOS					
CABLE ONE:	393.56	(6.28)	INTERACTIVE CORP:	84.09	0.15
CABLEVISION:	26.56	(0.59)	JDSU:	10.97	(0.11)
CHARTER:	187.51	1.84	LEVEL 3:	54.16	1.12
COMCAST:	64.32	0.05	MICROSOFT:	46.92	0.30
COMCAST SPCL:	63.97	0.02	NETFLIX:	110.55	(4.22)
GCI:	18.07	(0.06)	NIELSEN:	45.63	0.11
LIBERTY BROADBAND:	54.95	0.12	RENTRAK:	70.09	0.11
LIBERTY GLOBAL:	52.58	(0.15)	SEACHANGE:	7.46	(0.02)
SHAW COMM:	20.95	(0.28)	SONY:	28.11	(0.01)
SHENTEL:	34.48	(0.26)	SPRINT NEXTEL:	3.81	(0.03)
SHENTEL:	34.48	(0.26)	TIVO:	10.18	(0.09)
TIME WARNER CABLE:	190.88	1.87	UNIVERSAL ELEC:	49.95	(0.21)
PROGRAMMING					
21ST CENTURY FOX:	33.84	(0.15)	VONAGE:	5.01	(0.01)
AMC NETWORKS:	85.64	(0.14)	YAHOO:	39.54	(0.14)
CBS:	54.09	(0.61)	TELCOS		
CROWN:	4.74	0.04	AT&T:	34.90	(0.11)
DISCOVERY:	32.64	(0.67)	CENTURYLINK:	30.50	(0.44)
DISNEY:	119.58	0.72	TDS:	28.70	(0.21)
GRUPO TELEVISIA:	35.49	(0.32)	VERIZON:	48.10	0.51
HSN:	72.54	0.19	MARKET INDICES		
LIONSGATE:	37.89	0.04	DOW:	18100.41	13.96
MSG:	82.29	(0.04)	NASDAQ:	5218.86	8.72
SCRIPPS INT:	64.29	(0.57)	S&P 500:	2128.28	1.64
STARZ:	46.17	0.23			
TIME WARNER:	89.37	(0.32)			
VIACOM:	60.31	(0.7)			
WWE:	16.89	(0.04)			
TECHNOLOGY					
ADVANTAGE:	2.25	(0.04)			
AMDOCS:	56.70	(0.05)			
AMPHENOL:	54.35	0.03			
APPLE:	132.07	2.45			
ARRIS GROUP:	30.25	(0.41)			
AVID TECH:	13.17	(0.04)			
BLNDER TONGUE:	0.92	UNCH			
BROADCOM:	53.22	(0.38)			
CISCO:	28.03	(0.15)			

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CFX TECH by Joyce Wang

Synacor's OTT Ambition

Known for its authentication services, **Synacor** counts major cable MSOs and programmers as its TVE customers and has streamed major live events like the Olympics. Now the company is looking to expand into the OTT space by partnering with online video providers. Synacor is “systematically escalating” its video capabilities, combining its technology with platforms from partners to allow consumers to access TV content across platforms, CEO *Himesh Bhise* told us. The company announced a deal last week with **Siemens** to integrate Siemens’ online video platform, OTT Swipe, with Synacor’s TVE services. OTT Swipe is designed to enable carrier-grade OTT services such as video workflows, policy management and device distribution, with Synacor’s TVE services. Video encoding firm **EveMeta** is part of the deal. The move came just a few months after Synacor struck a similar pact with **Comcast unit thePlatform**, which will combine Synacor’s multiscreen video platform with thePlatform’s mpx, a multiscreen video management system. And Synacor plans to integrate mpx into its existing multiscreen offerings including Starpage, the content search, discovery and metadata platform that Synacor inherited through its **NimbleTV** acquisition earlier this year. Synacor also hopes to leverage its relationship with pay-TV providers as it wades into OTT. With Synacor’s video platform integrated with more than 50 MVPDs, the goal for the company’s OTT service is to be carrier-grade, modern, flexible, scalable and fully-featured, with speed-to-market and both cost and broadband efficient, Bhise said. Meanwhile, it has been several years since pay-TV providers rolled out TVE authentication services, and adoption has been slower than expected. Bhise said it’s really about eliminating the friction factor for consumers. “We’re talking about watching TV—and watching TV is fun. It has to be fun no matter the device,” he said. That means de-

living features like auto-authentication and social login. “Consumers want to encounter exactly zero hassle when they’re accessing their favorite movies, TV shows or sports events. Any headache in the authentication process slows consumer adoption rates across-the-board. As for the industry, adoption delays are about figuring out the complexities of technology integration and the monetization opportunities,” Bhise said.

Evolution’s Acquisition: Hybrid IP/QAM set-top box provider **Evolution Digital** agreed to acquire **i-Velocity**, which offers an IP VOD platform for cable and telco companies. i-Velocity’s multiscreen content delivery platform supports individual and packaged video services and offers them on demand. The company also offers subscriber management systems delivering billing, customer management, fulfillment and trouble ticketing services.

Comcast Business Scores CURE Partnership: **Comcast Business** scored a deal with **Connecticut United for Research Excellence (CURE)** to provide Ethernet service for the CURE Innovation Commons, an incubator in CT focusing on bioscience entrepreneurship and commercialization in the state. As part of the deal, Comcast Business will offer 1 Gbps Ethernet Dedicated Internet service supporting external network activity and all of the building’s WiFi traffic. Users can also access Comcast Business’ VoiceEdge, a cloud-based voice and unified communications services.

Armstrong’s UHD Trial: **Armstrong** recently started trialing live and linear Ultra HD services with the help of satellite company **SES**. The MSO is testing SES’ camera-to-screen UHD platform at its lab in Butler, PA. The platform combines broadcast and IP technologies. SES is looking to accelerate the rollout of linear/live UHD into cable HHs across North America, the company said.

Got tech news? Reach out to Cablefax Tech editor *Joyce Wang* at jwang@accessintel.com



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