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What the Industry Reads First

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Reality's Higher Bar: It's Not Just Wacky Characters Anymore

With reality TV lacking in runaway hits on cable in recent years, are there takeaways for the genre from Netflix's popular "Making of a Murderer" or even the podcast "Serial"? Based on the discussion at a **NATPE** panel in Miami Wed, it sounds like yes. "It feels like a potentially new way of storytelling," said *Lauren Gellert*, **WE tv's** evp of development & original programming. And her network is using that lens for upcoming series "Sisters in Law." It had been a straight docusoap about female lawyers in Houston, but now their criminal and civil cases are being worked in to give viewers a procedural inside the show, she said. The appeal of this type of programming is that there's this "whole game of playing along," said **Oxygen** Development and International svp *Cori Abraham*. **MTV** unscripted head *Lauren Dolgen* likened it to drama "Law & Order," which people liked for so long. "Now they're living it" with these types of shows, she said. While **CNN** shies away from serialized content because of the unpredictability of breaking news, the popularity of *Murderer* or **HBO's** "The Jinx" is reassuring because it means you can ask more of viewers, said *Jon Adler*, dir of dev for CNN original series. "There's this switch toward the viewer becoming super sophisticated. They want to be more involved. They'll let you ask more of them," he said, adding that he feels that bodes well for CNN shows such as "The Hunt with *John Walsh*" and "Death Row Stories." Another lesson is that while OTT has traditionally been viewed as a home for scripted programming, it shows that unscripted can play in that world, said **CBC** exec dir of unscripted content *Jennifer Dettman*. It seems clear that the shift to "unscripted" over "reality" is about more than a name change, but a signal of the departure from contrived TV. **MTV's** audience "can see the puppet string, and they call bullshit pretty quickly if they see those," Dolgen said, adding that the reason "Teen Mom" still does so well on the net is because the audience knows you can't fake those scenarios. Similarly, Abraham stressed that Oxygen is about authentic people being themselves. "They may be put into a circumstance... but it's really about the authentic reactions they have," she said. While she was quick to say sister net **Bravo's** "Real Housewives" franchise is still "amazing," she questioned whether it would work today. "Great storytelling happens when there is a real journey. As great as a character is, they're just characters in search of a story if they don't have this mission that's a goal in life," Abraham said. "I don't know if you can launch a show about 5 great characters who live in a gated community today." Unscripted can mean different things. Take **AMC**, which had a seat at the panel despite its established name in

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scripted entertainment. The network tried to do a fair amount of unscripted in the past, such as “The Pitch” and “Freakshow,” but struggled to find an audience. For AMC, it’s been about finding unscripted programs that appeal to an audience who likes mob movies, Westerns and zombies, said AMC and **SundanceTV** nonfiction and alternative programming svp *Eliot Goldberg*. So far, that’s been “Talking Dead” and “Comic Book Men.” “We are still trying different buckets,” he said, pointing to upcoming motorcycle travel series starring “The Walking Dead’s” *Norman Reedus*. Having a high level of talent attached, whether its Reedus or *Ray Liotta* narrating docudrama “Making of the Mob,” “really elevates programming and gives you press and a marketing hook that you don’t always have.”

AT&T Talks DirecTV: AT&T chief exec *Randall Stephenson* said its **DirecTV** purchase lets the new AT&T expand its video offering everywhere. “The bet we made... was TV everywhere is going to be very, very important,” he said. “People have been pursuing TV everywhere for a long time. I don’t think anybody has really executed on it very well,” he told **CNBC’s** “Squawk Box” at the World Economic Forum in Davos, Switzerland Wed. “Being really early, six months into it, I would tell you we’re more enthusiastic today than we were when we first started it,” he said. Saying that companies like Netflix has done a good job letting viewers watch content anytime, everywhere, he noted “this is what we’re after. Our content agreements are the long pole in the tent for getting this to market... We’re getting those content agreements done very quickly.”

Cable Stocks: With the DOW down 249.28 points Wed, most cable companies were unable to avoid the red. **CBS** took a hard fall down 3.02%, with **21st Century Fox** (down 2.73%), **Viacom** (down 1.76%) and **Disney** (down 1.52%) seeing declines as well. Operators fared slightly better, with **Charter** up 1.87%, **Time Warner Cable** up 1.46%, and **Cablevision** up 0.03% at the end of Wed. **Comcast** took a small hit down 1.18%. **Netflix** also ended the day down, with a drop of 0.14%.

CTHRA Survey: The **Cable and Telecommunications Human Resources Association’s** (CTHRA) 2015 Annual Compensation Surveys found that individuals with digital and technical skills, garnered the highest salary increases last year. For MSOs, base salary increases for product engineering managers and senior product engineers were 9% last year. Principal product engineers saw their salary increase 7% YOY. Programmers saw even bigger increases. Senior digital assets specialists’ salaries rose 12%, with 11% for senior producers. Both MSOs and programmers reported 2015 salary adjustment budgets (which include raises for merit, promotion and cost of living adjustments) of 3%. The annual increase is on par with the national average and has remained at roughly 3% since 2011. There were 58 responses to the 2015 surveys representing divisions from 53 companies, including digital content competitors such as **Amazon**, **Hulu** and **Red Bull Media House**. Among MSOs, base salary increases were modest ranging from 1.9% for individual contributors (ICs) (non-management professionals) to 3.3% for executives. At programmers, base salary increases ranged from 2.5% for executives to 4.2% for ICs (see Figure 2). Among MSOs, the survey revealed geographic differentials in the pay for expert installers and service techs. Base salaries were 13% higher for nonunion positions in the West and 5% higher in the East. MSOs in the South, Midwest and Southwest reported lower base salaries for installers and techs by 8%, 4% and 4%, respectively.

Political Ads: Led by **House Commerce** members *Anna Eshoo* (D-CA) and *John Yarmuth* (D-KY), 168 House Democrats are asking the **FCC** to increase transparency in US elections by requiring the disclosure of the true sponsors of political ads. In a letter to agency chmn *Tom Wheeler* Wed, the lawmakers said that today’s campaign disclosure system allows special interests and “shadow groups to flood our airwaves with anonymous ads with no disclosure whatsoever.” Eshoo and Yarmuth have co-introduced legislation requiring the FCC to fully enforce the 1934 law.

WICT Chapter Awards: **WICT** Chapter of the Year award in 2015 went to the Southeast Chapter. The group also recognized the Chapter President of the Year, Greater Chicago’s *Katy Weber*, HR dir at **Comcast** and the Chapter Advisor of the Year, *Jennifer Bergman*, **Cox** exec dir of strategic initiatives, who supported the Heartland Chapter.

Cox’s MeTV Plan: **Cox** is putting its planned OTT service MeTV on hold for now. “We’ve decided not to launch MeTV as originally intended and we’ll continue to explore the digital entertainment space,” a spokesman confirmed. The service was designed to be an ad-free offering with aggregated online content.

Netflix 4Q: **Netflix** is on track to burn about a billion dollars mostly on its branded or original content this year, CFO *David Wells* said during the company’s earnings conference call late Tues. “The efficiency of the content spend has been great, meaning that we are spending a lot on great shows, and they get a lot of yield relative to licensed programming or relative to other programming,” said chief content officer *Ted Sarandos*. Netflix, a vocal opponent

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of Comcast's failed Time Warner Cable bid, now supports Charter's TWC transaction. The deal will be "a tremendous positive for the OTT industry because Charter has agreed to a multiyear strong net neutrality policy, something no one else has publicly agreed to," CEO *Reed Hastings* said. Netflix is looking to enter the Chinese market. However, several hurdles stem from issues including govt regulations on content. Hastings said, "this could be many years of discussions or it could happen faster than that."

Verizon vs RFD-TV: Responding to its intention to drop RFD-TV, Verizon said "we have to work to keep FiOS TV prices reasonable for all our customers." Content costs have increased more than 30% industry-wide over the last 5 years and in order to prevent all of those costs from being reflected on customers' bills, "it is sometimes necessary to remove channels from our lineup," a spokesman said. Verizon FiOS 1st notified viewers on Christmas Eve that it intends to drop RFD-TV on Jan 31. *Patrick Gottsch*, chmn of the Rural Media Group, which owns the net, has asked viewers to send letters urging Verizon to keep the channel.

People: FCC chmn *Tom Wheeler* tapped *Jonathan Levy* as acting chief economist, filling in for exiting chief economist *David Waterman*. Levy was most recently deputy chief economist.

Cablefax Daily Stockwatch

Company	01/20 Close	1-Day Ch	Company	01/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
DISH:	48.36	(0.54)	ECHOSTAR:	33.76	0.18
ENTRAVISION:	7.30	0.25	GOOGLE:	698.45	(3.34)
GRAY TELEVISION:	13.05	(0.09)	HARMONIC:	3.21	(0.06)
MEDIA GENERAL:	15.62	0.09	INTEL:	29.59	(0.21)
NEXSTAR:	47.73	0.07	INTERACTIVE CORP:	50.68	(1.49)
SINCLAIR:	29.06	(0.28)	LEVEL 3:	45.55	(1.57)
TEGNA:	22.83	(0.37)	MICROSOFT:	50.79	0.23
MSOS					
CABLE ONE:	410.04	(10.79)	NETFLIX:	107.74	(0.15)
CABLEVISION:	31.34	0.01	NIELSEN:	43.94	(1.08)
CHARTER:	170.55	3.17	RENTRAK:	43.07	0.56
COMCAST:	53.61	(0.64)	SEACHANGE:	6.18	(0.1)
GCI:	18.59	(0.55)	SONY:	21.04	(1.17)
LIBERTY BROADBAND:	47.34	(0.49)	SPRINT NEXTEL:	2.45	(0.19)
LIBERTY GLOBAL:	32.40	(0.48)	TIVO:	7.74	0.04
SHAW COMM:	16.15	(0.2)	UNIVERSAL ELEC:	46.88	0.93
SHENTEL:	20.94	(0.34)	VONAGE:	4.71	(0.09)
TIME WARNER CABLE:	180.23	2.60	YAHOO:	28.77	(0.97)
PROGRAMMING					
21ST CENTURY FOX:	25.64	(0.72)	TELCOS		
AMC NETWORKS:	72.60	(0.65)	AT&T:	33.90	(0.61)
CBS:	44.02	(1.37)	CENTURYLINK:	22.24	(0.98)
CROWN:	4.63	0.02	FRONTIER:	3.94	(0.24)
DISCOVERY:	25.53	(0.26)	TDS:	21.40	(0.62)
DISNEY:	92.54	(1.43)	VERIZON:	44.42	(0.45)
GRUPO TELEVISA:	25.23	(0.65)	MARKET INDICES		
HSN:	47.64	0.13	DOW:	15766.74	(249.28)
LIONSGATE:	27.69	(0.14)	NASDAQ:	4471.69	(5.26)
MSG NETWORKS:	17.51	(0.39)	S&P 500:	1859.33	(22)
SCRIPPS INT:	56.16	0.54			
STARZ:	29.85	(1.02)			
TIME WARNER:	68.90	(0.89)			
VIACOM:	43.02	(0.77)			
WWE:	16.53	(0.06)			
TECHNOLOGY					
ADDVANTAGE:	1.73	(0.02)			
AMDOCS:	52.54	(0.4)			
AMPHENOL:	46.51	1.09			
APPLE:	96.79	0.13			
ARRIS GROUP:	26.47	0.43			
AVID TECH:	7.26	0.37			
BROADCOM:	54.19	1.23			
CISCO:	22.90	(0.95)			
COMMSCOPE:	21.77	(0.55)			
CONCURRENT:	5.12	(0.03)			
CONVERGYS:	23.21	0.15			
CSG SYSTEMS:	34.22	1.35			

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It's Called Competition

Commentary by Steve Effros

OK, now things are getting really strange. If reports are right, and I don't know whether they are or not, the FCC is now investigating whether the clearly competitive statements of one potential competitor disqualifies his company from getting bigger and being a better competitor! This from an agency with a mantra of designing all of its regulatory policy to allegedly introduce more competition into the marketplace.

FCC Chairman Tom Wheeler has been quoted saying his motto is "competition, competition, competition!" Yet now we hear that the potential merger of Charter and Time Warner Cable is being investigated in part because Charter's chief has said he fully intends to compete!

Anyone who has ever dealt with Tom Rutledge, as I have on occasion, knows that Tom does not mince words. He also tends to be right. So when he says that if programmers are going to change their business plan and start offering their product directly to consumers via OVD there will be repercussions in the way Charter approaches and deals with those programmers, that should not come as any surprise. It is also exactly what one would expect in a competitive environment.

If a programmer has been basing its fees to a cable operator on that operator being an exclusive deliverer of that product in its marketplace and then business plans change and that exclusivity disappears, what's so shocking about the operator saying there of course will be repercussions from that decision, and that the programmer should expect a different relationship to ensue? I would think that's obvious. But apparently some folks are going to the FCC (actually, the Commission called them in, they didn't initiate the conversation) discussing what analysts are describing as competitive "threats." They're "shocked, shocked," as Captain Renault said in Casablanca.



This is nonsense, and worse, an inane reason to consider blocking a merger. The whole point of introducing competition is so that the competing parties can compete. There's no question that OVD is now competing with cable. There's also no question that the programmers are supplying their products in both competitive forms. The idea that anyone would suggest that the cable competitor is not allowed to say that it will respond to competition and realign its payments, priorities, alliances and business plan is just ridiculous. Of course it will, and it should. That's what competition is all about.

No one should be surprised that Tom Rutledge spoke the truth. He clearly believes (and he's not alone) that the programmers are making a mistake, or at least will find their new distribution plans to be a lot more difficult and possibly less profitable than they think. Maybe he's right, maybe he's wrong. I, for one, wouldn't bet against Tom. But that's not the point. He's going to compete. He's going to respond to competition. The Commission said that's what they wanted; competition. To now suggest that a cable operator actually saying it's going to respond to competition is a threat sufficient to justify regulatory action against them is sophistry.

There's nothing illegal or improper about saying you will react to new business realities, and that those realities will impose new paradigms on your competitors as well. That's not illegal, improper or in any way grounds for concern. It's just honest. If the resulting competition is untoward or monopolistic then we have the antitrust laws in place to deal with that. But just saying he's going to react and compete is exactly what he should be saying. It's called competition.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)

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