

# Cablefax Daily™

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What the Industry Reads First

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## Fog of CES: Execs Wring Hands as TV Business Morphs

Bad weather caused considerable travel delays for **CES** attendees this week, but the real storm clouds forming over Vegas have more to do with the rapidly changing TV ecosystem than meteorology. As **Netflix** CEO *Reed Hastings* boasted that its subscribers watched nearly 50% more hours of the OTT provider's content in Q4 2015 vs Q4 the prior year, traditional and digital TV execs alike wondered aloud when the content explosion might, uh... implode. After all, more than 400 original series are set to hit the pipe this year, and that's putting pressure on everyone. "When you're making a show, you've got to make that show be not just the best show of that season or that year, but best show of all time," said *Michael Thornton*, chief revenue officer, **Starz**. "In a binge market you really have to believe in your product and your creators because it might take a year or two to catch on." The economics are not so sanguine. "We have 400 new shows, the cost on average is \$100,000 each, so we've added 7% to 10% of the cost to TV, and the revenue is not moving," said *Laura Martin*, managing director, **Needham & Co**. "The margins are worse; discovery is worse." Given that consumers are adding, if not migrating to, digital, *Mark Lopez*, evp/GM, **Univision Digital**, noted, "All of us are putting a bet to the future that we can not only understand what the consumer is doing, especially in mobile, but can bring them back to the source, to have it come full circle. It's a long-term bet today." As for TV Everywhere, the industry's long promoted attempt to preserve the TV ecosystem "hasn't lived up to what we had hoped," *John Harran*, svp, business & product development, **Turner Broadcasting**, said. "We have scale, we have penetration but at the end of the day, we talk about these millennials and plurals like creatures from another planet. They like really good programming; programming still wins at the end of the day," he said. "We have to look at how do we get closer to those users regardless of demographic. The way is by leveraging data, understanding what their experience is."

**CES Dispatches:** It's **Netflix's** world, we're just living in it. In understated-but-not-really fashion, CEO *Reed Hastings* concluded his opening **CES** keynote by telling the audience that during the presentation the streaming company flipped on its service in 130 additional countries, including India, Russia, Saudi Arabia, South Korea and Turkey. He also noted that during Q4 2015, people watched 12bln hours of Netflix, up from 8.25bln in Q4 the prior year. The service values its relationship with the tech industry, he said. "Today Netflix is the leading creator of 4K content—series

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and films, and films are primarily getting done in 4K.” Netflix later this year will roll out high dynamic range, augmenting a visceral visual experience, he added. Content chief *Ted Sarandos* said customers can expect 600-plus hours of original programming this year, and previewed upcoming Queen Elizabeth biopic series “The Crown” and disco/hip-hop drama “The Get Down” from director *Baz Luhrmann*, both due this year. Of Netflix’s push into original movies last year he noted, “we are not anti-theater, we are just pro-movies.” -- Mobile video consumption is “the word of the day.” This according to **Facebook** US industry manager, entertainment, *Sharon Mussalli*, who told a **CES** audience **Facebook** has 8bln daily video views, 75% of which are on **Google**. “The mobile shift has been huge and already happened,” she said. Still, the majority of television consumption takes place on a 55-inch screen in the living room, the reason television marketers are creating long- and short-form video on mobile “to yield the consumption of programming in the living room,” she said. “We don’t produce for a small screen or for a large screen. We produce television content for all screens,” said *Brad Dancer*, evp, research & program planning for **National Geographic Channel**. “A few years ago production companies would give behind the scenes, interviews with the cast. That’s not really what talking about anymore.” The net’s upcoming *Morgan Freeman*-hosted “Story of God” will be complemented by lots of digital-only content. The show is “meant to be seen on the big screen, but a lot of the topics are controversial and we wanted to hit on things we couldn’t do in show,” he says.

**Viceland Preview:** According to *Spike Jonze*, filmmaker and creative director for the forthcoming network **Viceland** (launching Feb 29 as **A+E Nets** rebrands **H2**), the **Vice Media**-created net is a collection of unscripted shows made by filmmakers with “personal points of view.” Its inaugural panel at **TCA** overflowed with the net’s creators—including *Ellen Page* and *Eddie Huang*. *Page* co-hosts “Gaycation” with *Ian Daniel* as they travel the world and explore what LGBT life is like across the globe. *Huang* travels using culinary pursuits as a connector in “Huang’s World.” It was important for *Jonze* to showcase so many creators on stage because “the shows are them. The channel is them,” he said. The through line among them is that “everybody has a point of view.” In terms of show length, some will have 4 eps, others 6—it all depends on schedules and subjects. “We’re making everything based on what feels right.” On why **Vice Media** is moving to linear TV, *Jonze* said the reason was twofold: getting a bigger budget and exploring a different medium. “For one, as a company, to get this kind of production budget can only be done in television... and secondly, the idea of a TV channel seems like a fun media to explore.” In his view, TV is an organism that is “alive.” “It comes to your house like water.”

**Preschlack’s Back:** Former **ESPN** exec *David Preschlack* was named pres, **NBC Sports** Regional Nets and **NBC Sports Group** Platform and Content Strategy, effective Feb 1. He’ll oversee the **NBC Sports** RSNs and lead the entire **NBC Sports** platforming strategy, reporting to **NBC Sports** Group chmn *Mark Lazarus*. “David’s wealth of experience with digital innovation and distribution, as well as programming creation and acquisitions are what today’s marketplace demands for executives,” *Lazarus* said in a statement. “As we look to the future, his background and ability put us in position to further succeed and to broaden our opportunities across our entire portfolio.”

**Shaw Goes for X1:** Canadian service provider **Shaw**, which has 2.6mln video subs, has licensed **Comcast’s** X1 to launch mobile video app **FreeRange TV**. The platform features the ability to stream some 80 live TV channels, up to 30K on-demand titles, and sports on-the-go. **Cox** is the 1st US MSO to license the **Comcast** platform. In Nov, it announced that the latest version of its **Contour** IP-enabled set-top features the X1 platform in San Diego. **Cox** plans to make the X1-powered **Contour** available to additional markets this year.

**CES Notebook:** **DISH** once again used **CES** to release a slew of announcements, including the **Hopper 3**, featuring 4K content options and integration of **Netflix** into the universal search results. **YouTube** will be integrated with the platform soon, according to **DISH**. New for the **Hopper** is **Sports Bar Mode**, a multi-channel view that divides the screen into quadrants, each with the ability to display a different program. On the 4K content side, **DISH** is partnering with **Sony Pictures**, **the Orchard** and **Mance Media** to deliver movies and other 4K programming directly to the **Hopper 3** and **4K Joey**. The company also announced the pocket-sized **HopperGo** wireless flash drive, which can store up to 100 hours of recorded content for offline viewing on smartphones and tablets. At its late Q1 launch, it will work in conjunction with the **DISH** **Anywhere** app on mobile phones and tablets. No Internet connection is required. -- **Rovi** upgraded its **Fan TV** service, transforming it into a modular platform that service providers, developers and programmers can deploy as an end-to-end solution or integrate as a stand-alone feature for media discovery. Key

# BUSINESS & FINANCE

parts of the Fan TV platform, such as search, recommendation and conversation services, are already being used by pay-TV providers including **DISH** and **Cablevision**. Rovi is working with several channel partners to develop and sell advanced program guides powered by the platform. -- **Cisco** debuted 2 new services to its Virtualized Video Processing platform, including Open Media Distribution for offering multiscreen video across devices, and Cloud Object Storage for supporting storage needs for video services such as cloud DVR and time-shift TV. Canada's pay-TV provider **Shaw** is using Cisco's Open Media Distribution platform to simplify the content delivery network operations for its new FreeRange TV service.

**People:** Former **Cablefaxer Amy Abbey** has joined **Eclipse Marketing** as dir, sales and strategic partnerships. She reports to **Laurie Silverman**, vp, strategic partnerships & national accounts; a group that's tasked with assuring that Eclipse clients receive the insights, strategy, and marketing partnerships and campaigns needed to maximize growth. -- Join us in congratulating **Joyce Wang** on her promotion to senior editor of **Cablefax Daily**. When she's not busy writing for the Daily or **Cablefax.com**, you can find her heading technology coverage for CFX Tech or dancing in a Zumba class.

## Cablefax Daily Stockwatch

Company	01/06 Close	1-Day Ch	Company	01/06 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	56.05	(1.3)	CSG SYSTEMS:	35.55	0.64
ENTRAVISION:	7.09	(0.07)	ECHOSTAR:	37.16	(0.79)
GRAY TELEVISION:	15.03	0.22	GOOGLE:	743.62	1.04
MEDIA GENERAL:	15.77	0.02	HARMONIC:	3.64	(0.04)
NEXSTAR:	56.90	1.26	INTEL:	33.08	(0.75)
SINCLAIR:	31.06	0.06	INTERACTIVE CORP:	58.82	(0.35)
TEGNA:	24.55	(0.11)	LEVEL 3:	52.92	(0.82)
<b>MSOS</b>					
CABLE ONE:	434.00	4.26	MICROSOFT:	54.05	(1)
CABLEVISION:	31.59	(0.09)	NETFLIX:	117.68	10.02
CHARTER:	174.31	(0.86)	NIELSEN:	46.13	(0.27)
COMCAST:	55.22	(0.43)	RENTRAK:	45.21	(0.88)
GCI:	19.78	(0.03)	SEACHANGE:	6.46	(0.05)
LIBERTY BROADBAND:	49.26	(0.62)	SONY:	23.63	(1.84)
LIBERTY GLOBAL:	40.78	(0.78)	SPRINT NEXTEL:	3.59	0.01
SHAW COMM:	16.88	(0.15)	TIVO:	8.16	(0.14)
SHENTEL:	20.77	0.15	UNIVERSAL ELEC:	46.94	(1.72)
TIME WARNER CABLE:	181.87	(1.06)	VONAGE:	5.70	0.07
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	26.72	0.13	YAHOO:	32.16	(0.04)
AMC NETWORKS:	75.43	0.74	<b>TELCOS</b>		
CBS:	46.13	0.01	AT&T:	34.06	(0.05)
CROWN:	5.09	(0.09)	CENTURYLINK:	24.72	(0.27)
DISCOVERY:	26.28	(0.19)	FRONTIER:	4.76	0.04
DISNEY:	100.36	(0.54)	TDS:	24.57	(0.58)
GRUPO TELEVISA:	25.86	(0.7)	VERIZON:	45.52	(0.42)
HSN:	51.29	(0.17)	<b>MARKET INDICES</b>		
LIONSGATE:	30.35	(0.11)	DOW:	16906.51	(252.15)
MSG NETWORKS:	20.04	(0.27)	NASDAQ:	4835.76	(55.67)
SCRIPPS INT:	51.90	(1.5)	S&P 500:	1990.26	(26.45)
STARZ:	31.98	(0.63)			
TIME WARNER:	68.62	3.10			
VIACOM:	42.80	(0.52)			
WWE:	16.67	(0.56)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	1.73	(0.02)			
AMDOCS:	53.27	(0.67)			
AMPHENOL:	49.11	(1.19)			
APPLE:	100.70	(2.01)			
ARRIS GROUP:	29.11	(1.41)			
AVID TECH:	7.64	(0.07)			
BLNDER TONGUE:	0.40	0.03			
BROADCOM:	55.34	(1.03)			
CISCO:	26.01	(0.28)			
COMMSCOPE:	24.44	(0.67)			
CONCURRENT:	5.66	0.39			
CONVERGYS:	24.70	0.77			

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## Think about that for a minute...

### Service

Commentary by Steve Effros

I happened to be listening to an ad on the radio the other day and it was one of the most effective I have heard recently. It was for a local television and electronics retailer, one that has been around the Washington, DC, area for many years, and one that I think we all would have assumed would have been run out of business long ago by the big box stores and Internet sales.

Not so. They apparently are doing just fine, thank you. Their message was a simple and compelling one; the television set is the same, regardless of where you buy it, the price is matched, so it's the same too. The only thing that's not the same is the service. It rang true, and it certainly worked for me and I suspect a lot of other folks as well.

No matter how efficient Amazon is with getting that big screen set to you in an amazingly short time, no matter how many "blue shirts" there are at Best Buy helping you load that set into your car, you still have to get it home, unbox it, figure out what to do with all that waste cardboard, wrestle it up into the position you want, make sure the wires are in right (and make sure you do that before you mount the thing on the wall!) and then test it all out.

The point of that radio ad is that the local company is actually selling service. They are the ones who do all that. They are the ones who take the box away when they are done helping to put the set where you want it, wire it up, and make sure it works right and you know how to keep it working right. That's why you want to buy that set, which essentially has become a commodity item, from them vs their huge competitors. They're right.

As we move more and more toward the day when



most of the things we offer, be it program delivery, broadband, WiFi or cellular service and the like are seen as commodities, the competitive focus is increasingly going to be on service.

Now of course the issue of service has been front and center in our industry for a long time, and there have been major efforts to improve on our record. Some of them are paying off, but it is a long slow climb from where we started. Thus it's going to be that much harder for the industry to convince folks that our service is not only on par with, but better than, our competitors. Even if it is, it's going to be difficult to overcome many of the past "horror stories." And, regrettably, they will inevitably keep on coming. No matter how good you get, when you are dealing with billions of customer service calls there are bound to be mistakes... and those are the ones everyone will hear about in today's Internet echo chamber. So be it. The challenge is still there, and it's where we have to focus.

As we move into the new year, the smart thing for us to do is recognize that, going forward, service is our most important product. That's not a new line or idea, but then again, neither is competition. Make no mistake about it, we are in an era where the competition is going to be about service...the priority for 2016.

Hope you all had a great holiday season. Now it's time to get to work!

*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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