

Cablefax Daily™

Friday — September 16, 2016

What the Industry Reads First

Volume 27 / No. 179

Sect. 629: You Sunk My Set-Top Ship?

It's too early to say if FCC chmn *Tom Wheeler* has lost this game of Battleship, but fellow Dem *Jessica Rosenworcel* did deliver a hit at Thurs' Sen Commerce hearing. While she was quick to say she's not a fan of the current set-top regime, she echoed the concerns of several stakeholders on the proposal's copyright licensing structure. "There is a lot in there that seems to work. I am going to be honest with you. I have some problems with licensing and the FCC getting a little bit too involved in the licensing scheme here," Rosenworcel said, adding that Sect. 629 of the Communications Act doesn't seem to give the agency the authority. "I will commit to keep on working with my colleagues because I think bringing some change to the set-top box market would be a good thing for consumers, my household included." Time is running out with Wheeler scheduling a vote on the order Sept 29. The chmn said he wants to work with the other commissioners and is open to revisions: "We are open to whatever can solve the problem that has been identified in terms of licensing, which I'm not sure is a real problem, but I'm open minded." He also walked senators through how the controversial proposed licensing procedure came to be, saying it started with Congress' mandate for competitive boxes. "The industry responded with a licensing body that they created that then did not put out licenses. As we looked at the situation, [we asked] how do we set it up so the industry—not us—is determining how the licensing structure works," the chmn said. The solution was to put programmers and operators on the licensing body. "But there is occasional backscratching that goes on between those two, so we said, 'why don't we put on the equipment manufacturers and have a 3-way discussion there...'. Programmers wouldn't agree. Cable operators wouldn't agree. That will blow everything up. So, who is going to be the 'trust, but verify' backstop in this? Well, why not the Commission?" The plan has received criticism from both parties and that continued at the hearing, with Ranking Member *Bill Nelson* (D-FL) noting that he continues to hear from many stakeholders that there are elements that need work. "And much of that concern comes from the approach you have taken on copyright and content. In fact, I share those concerns and stated those concerns to you months ago," he said, expressing fear that the present course could ignite a years-long court battle. Programmers and operators have spoken out against the copyright procedure, as have app developers and **Amazon**. Sen *Ed Markey* (D-MA) has long advocated competitive set-top offerings. He showed up to the hearing with a set-top box padlocked with chains and a much smaller

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Amazon Fire TV Stick—complaining that the pay TV providers' content can't be viewed on the more modern device. "This is a relic of the past, but it's today. This could be in your house 20 years ago or this could be in your house today," Markey said of the set-top. Sen Commerce chmn *John Thune* (R-SD) reminded Markey of Amazon's concerns that the current licensing proposal would delay competition and hinder customers from receiving the services they already pay for (**CFX**, 9/14). Markey said that's a concern about licensing, not about whether the device should offer pay TV content, and "we can work out this licensing issue." While cable has been quite vocal over its licensing concerns, other aspects of the revised set-top plan concern the industry—such as sharing consumer data with 3rd party devices and what it believes are vague definitions on which platforms pay TV providers would have to build apps for.

Skinnier: Fresh off a new deal with **AT&T**, which included being "front and center" on streaming service **DirectTV NOW**, **Discovery Comm** seems very amenable to its nets being included in skinny bundles and OTT services in the future. With 85+% of the company's affiliate fees embedded in its top 6 channels, the economics makes sense. "Our discussion with everyone is ongoing. They are very real. I think DirecTV NOW is just an example of our participation in those kinds of platforms. Don't be surprised if we continue to announce our being aligned with and being on these other platforms," Discovery CFO *Andy Warren* said at the **Bank of America Merrill Lynch** media conference Thurs. The company also is bullish about its own TV Everywhere platform Discovery GO, which has been "a real pleasant surprise." With the DirecTV deal, 75% of HHs now have access to it. Users skew very young (over half are 18-34), it's female driven and length of tune it at almost an hour. That translates to pricing power for ads, which can't be fast forwarded, he said. Warren said he's open to the skinny bundle. But how skinny should it be? "I do think there needs to be a skinnier bundle," and probably a less expensive one, he said. "If we were to come down to a smaller network bundle, we would actually make more money I think in the U.S. ... Not only do I think it's where we probably need to end up, but it's also a place quite frankly I welcome from a pure economic perspective." On the international OTT front, Warren said 17mln people in Europe have downloaded its **Eurosport** app.

Partisanship at the FCC: Sen Commerce chmn *John Thune* (R-SD) began Thurs' **FCC** oversight hearing with a hard-hitting assessment of the increasing number of party line votes at the agency. A staffer stood behind him showing that under FCC chmn *Tom Wheeler* there have been 25 votes at open meetings that were 3-2. That compares to 4 for *Julius Genachowski*, 5 for *Kevin Martin*, 3 for *Michael Powell* and 2 for *William Kennard*, according to Thune's stats. "Put another way, in three years under Chairman Wheeler, the FCC has seen nearly twice as many partisan votes than in the previous twenty years combined. What were once very rare events are now standard operating procedure at the Commission," Thune said. The senator pressed Wheeler on whether he fears a Republican commission would come in and reverse decisions and that process could continue creating uncertainty. Wheeler said it's a collegial body, and he's hopeful the commissioners can resolve issues in a common manner, noting that he voted with Republicans on the order adopting a rebuttable effective competition assumption for cable operators. As for future FCCs reversing course, the chmn said one of the "saving graces the FCC has is the need to make a decision on the record. Any changes would have to be based on the record." Dem *Bill Nelson* (FL) said the partisanship goes both ways, calling out GOP commish *Michael O'Rielly* for repeating a phrase from his Capitol Hill days ("Never count on a Dem to hold their vote") after saying that commissioner *Mignon Clyburn* backed out of a compromise deal on capping Lifeline's budget at \$2bln.

Wheeler-Rosenworcel: FCC chmn *Tom Wheeler* still hasn't said when he will vacate his post, but he acknowledged Thurs that "as a certain Nov event approaches and a new administration is on the horizon, this may be my last appearance before this committee." He ended his remarks by saying he hopes commissioner *Jessica Rosenworcel* will continue to be able to serve on the FCC. It was a sentiment echoed by several Democratic Commerce cmte members. Rosenworcel was approved by the Sen Commerce Committee in Dec, but she hasn't been put up for a confirmation vote before the Senate. It's a contentious issue with Dems, including Sen Commerce Ranking Member *Bill Nelson* (D-FL), saying Republicans had promised to approve her when Democrats agreed to confirm GOP commish *Michael O'Rielly*.

HBO-Cinemax Playstation: HBO and Cinemax will launch on **Playstation Vue** later this month, with the HBO Now app launching on PS4 and PS3 prior to the Oct 1 premiere of "Westworld." This marks the 1st time HBO's live programming and **Cinemax's** channel will be available as standalone channel offerings, with each costing \$15 per month. Those subscribers to HBO via Playstation Vue can access HBO Now on all supported devices at no extra cost.

BUSINESS & FINANCE

Mediacom-Big Ten: Mediacom renewed its deal with the **Big Ten Network** so its customers will maintain access to the net. Additional terms of the agreement were not announced.

Paid Leave: Discovery Comm announced a new paid leave policy for all US employees, effective Jan 1, 2017. Highlights include: extending the parental paid leave to 12 weeks (up from 4) in the case of all birth, adoption and foster care placements for mothers and fathers; introducing a caregiver leave benefit for 12 weeks for employees taking care of qualified family members; and expanding the definition of family to also include qualified domestic partners, siblings, parent-in-laws and grandparents. The 12-week leave can now be taken consecutively or divided over the course of a 12-month period. Under the new policy and with the addition of short-term disability and up to two weeks of vacation time, maternity leave now maxes out at 20 to 22 weeks.

People: It's official. *Jon Litner* was named pres of **YES Network**, reporting to FOX Sports Regional Networks pres *Jeff Krolnik*. Litner had been pres of **NBC Sports Group** overseeing RSNs. *Tracy Dolgin*, who left the position in June, will continue as non-exec chmn. *Sports Business Journal* reported Litner's hiring earlier this week.

Editor's Note: Your next issue of **Cablefax Daily** will arrive Mon morning for Diversity Week. We hope to see you in New York!

Cablefax Daily Stockwatch

Company	09/15 Close	1-Day Ch	Company	09/15 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	52.05	1.76	INTEL:	36.56	0.94
ENTRAVISION:	7.36	(0.04)	INTERACTIVE CORP:	58.13	0.41
GRAY TELEVISION:	10.84	0.09	LEVEL 3:	48.80	0.65
MEDIA GENERAL:	17.93	0.04	MICROSOFT:	57.19	0.93
NEXSTAR:	53.64	0.40	NETFLIX:	97.34	0.33
SINCLAIR:	28.57	0.22	NIELSEN:	52.52	0.65
TEGNA:	21.17	0.10	SEACHANGE:	2.85	(0.01)
MSOS					
CABLE ONE:	552.18	10.33	SONY:	32.47	0.25
CHARTER:	266.27	(0.42)	SPRINT NEXTEL:	6.79	0.28
COMCAST:	66.24	1.07	SYNACOR:	2.79	0.09
GCI:	13.57	0.29	UNIVERSAL ELEC:	73.40	2.15
LIBERTY BROADBAND:	69.56	0.57	VONAGE:	6.31	0.17
LIBERTY GLOBAL:	32.65	0.53	YAHOO:	43.99	0.53
SHAW COMM:	19.84	0.21	TELCOS		
SHENTEL:	26.31	0.49	AT&T:	40.45	0.56
PROGRAMMING					
21ST CENTURY FOX:	23.84	0.14	CENTURYLINK:	26.98	(0.45)
AMC NETWORKS:	50.53	(1.44)	FRONTIER :	4.35	(0.04)
CBS:	52.24	0.10	TDS:	27.12	0.39
DISCOVERY:	24.41	(0.33)	VERIZON:	51.98	0.49
DISNEY:	92.50	0.24	MARKET INDICES		
GRUPO TELEVISIA:	24.57	(0.2)	DOW:	18212.48	1777.1
HSN:	41.21	0.38	NASDAQ:	5249.69	75.92
LIONSGATE:	20.34	(0.12)	S&P 500:	2147.26	21.49
MSG NETWORKS:	17.81	0.17			
SCRIPPS INT:	62.14	0.64			
STARZ:	30.98	(0.16)			
TIME WARNER:	75.62	(0.6)			
VIACOM:	41.66	(0.23)			
WWE:	19.48	0.08			
TECHNOLOGY					
ADVANTAGE:	1.81	(0.04)			
AMDOCS:	59.93	0.93			
AMPHENOL:	62.79	1.01			
APPLE:	115.57	3.80			
ARRIS GROUP:	28.34	0.87			
AVID TECH:	7.82	0.07			
BLNDER TONGUE:	0.57	(0.01)			
CISCO:	31.31	0.31			
COMMSCOPE:	30.38	0.88			
CONCURRENT:	5.60	(0.03)			
CONVERGYS:	29.34	0.46			
CSG SYSTEMS:	43.00	0.56			
ECHOSTAR:	38.55	0.14			
GOOGLE:	771.76	9.27			
HARMONIC:	4.75	0.09			

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PROGRAMMER'S PAGE

Legendary Inequality...

It's not often that you get to sit down with a TV legend to talk shop—and few compare to Norman Lear. He created some of the most iconic sitcoms in TV history, including “All of the Family,” “The Jeffersons” and “One Day at a Time,” to name just a few. And if these classics all have one thing in common, it's that they took an unvarnished look at the inequities of American culture, whether it was race, class, education or gender. So at 94 years young, Lear jumped at the chance to helm one of the 8 parts of “America Divided” (premieres Sept 30, 9pm, on **EPIX**) about inequality in America. He tells **CFX** that his interest in housing inequality convinced him to come on board. “Sitting at the edge of it and knowing something about it is one thing,” he says. “But being in it and looking at it from the inside is quite another thing.” Noting that NYC has become unaffordable for most, he contends “New York City doesn't f--king know that.” Or does City Hall just not *want* to know? “That's right,” he says, “because we all look the other way.” Lear is only one of many big names in the series. Co-creator *Solly Granatstein*, a documentary veteran and former “60 Minutes” producer, along with colleagues *Lucian Read* and *Richard Rowley*, worked to line up Lear as well as other heavy-hitting celebrities like *Common*, *Rosario Dawson*, *America Ferrera*, *Zach Galifianakis*, *Amy Poehler*, *Peter Sarsgaard*, and *Jesse Williams*. Each dissect different aspects of division and inequality such as criminal justice, immigration, politics, etc. “I hope that it's a unifying force for people,” says Granatstein. “I think that film has a capacity to evoke empathy with people you don't have much in common with—or who you think you don't have much in common with.” For Lear, he just hopes to “inform people and sensitize them to things going on in the culture and which they simply don't know enough about. And from there, hopefully they take some action.” — *Michael Grebb*

Reviews: “StarTalk,” Season 3 premiere, Mon, 11pm, **Nat Geo**. There are several things to consider about this Emmy-nominated talk show that attempts to mix science with popular culture. First, host/astrophysicist *Neil deGrasse Tyson* remains awkward when trying to act cool and energetic. He's engaging when calm and talking about science. The show's format remains balky, switching between live talk and a taped interview. Still, the moments it works are worth watching. There are several with *Whoopi Goldberg* (Sept 19), more with actor/neuroscientist *Mayim Bialik*. -- “Startup,” **Crackle**. Some viewers will be watching this new drama from Crackle and scoff that a gangster, a banker and a tech whiz would never form a business triumvirate. That might be true, but for those who prefer to relax with a well-done if unusual television series, “StartUp” touches plenty of dramatic high notes. Another reason to watch is *Martin Freeman*, who plays strange characters as well as anyone. Freeman is wonderful as an unscrupulous **FBI** agent who's on the trio's trail, hoping to discover the source of its funding. Also strong is *Otmara Marrero* as the streetwise techie. -- “Masters of Sex,” Sun, 10pm, **Showtime**. There's a terrific juxtaposing of scenes about 40 minutes into this ep as *Masters* (*Michael Sheen*) and *Johnson* (*Lizzy Caplan*) bare their souls. Well, almost. It's brilliant, though. — *Seth Arenstein*

Basic Cable Rankings			
(9/05/16-9/11/16)			
Mon-Sun Prime			
1	ESPN	1.1	2444
2	FOXN	0.9	2181
3	DISC	0.7	1654
3	HGTV	0.7	1620
5	USA	0.6	1398
5	TNT	0.6	1326
7	HIST	0.5	1292
7	MSNB	0.5	1243
7	DSNY	0.5	1227
7	TBSC	0.5	1181
7	ID	0.5	1014
7	DSE	0.5	104
13	CNN	0.4	1058
13	LIFE	0.4	1037
13	FX	0.4	998
13	ESP2	0.4	927
13	ADSM	0.4	906
13	FOOD	0.4	853
13	A&E	0.4	836
13	OWN	0.4	760
21	HALL	0.3	751
21	AMC	0.3	751
21	NAN	0.3	746
21	BRAV	0.3	734
21	SYFY	0.3	732
21	TVLD	0.3	681
21	TLC	0.3	600
21	NKJR	0.3	588
21	SPK	0.3	565
21	NBCS	0.3	564
21	DSJR	0.3	562
21	HMM	0.3	515
33	VH1	0.2	544
33	CMDY	0.2	529
33	APL	0.2	512
33	EN	0.2	504
33	FRFM	0.2	502
33	WETV	0.2	474
33	INSP	0.2	463
33	NGC	0.2	446
33	TRAV	0.2	437
33	GSN	0.2	432
33	BBCA	0.2	429
33	LMN	0.2	400

*Nielsen data, supplied by ABC/Disney, is based on coverage area of individual networks

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Friday — September 16, 2016

What the Industry Reads First

Volume 27 / No. SPECIAL

Long Live Linear

Although the headlines roll in like storm clouds, the reality of linear television's health sits somewhere between a *Mark Twain*-esque pronouncement that reports of death have been greatly exaggerated and the rush to a comprehensive eulogy.

There's no question many cable networks are suffering shrinking ratings and distribution, with a few—most recently Pivot—turning out the lights. But a look at recent data suggests not all nets are suffering from the same lethal contagion and that 1) viewing turbulence is on the wane, and 2) a small but representative percentage of networks are not only treading water, but thriving.

"We're all watching the cord cutters, and almost daily were getting a different report," says *Dale Ardizzone*, COO of **INSP**, which recorded a 1.1 percent gain in households YOY in August, according to **Nielsen** data.

"If you look closely, linear television remains one of the strongest entertainment models out there. Many networks that offer specialized programming and give the viewer the opportunity to watch in real time are doing very well despite the alternative distribution platforms," he adds. "People don't necessarily want to wait until a

series becomes available on an OTT platform. There's a natural evolution of the newness settling down."

"When DVRs first came out, everyone in the industry thought this was the end of us, thinking, 'If everyone starts watching TV like I am, I'm going to be out of a job,'" says *Glenn Enoch*, svp of audience insights at **Nielsen**. "But DVR penetration topped off at about 50 percent of TV households. I would not project a future where everyone has access to **Netflix**, **Hulu** and **Amazon**."

In fact, Nielsen's Q1 Total Audience Report reveals a heartening stat (the Q2 report is due out this month): Time spent viewing linear TV is still on the decline, but the decline is beginning to level out. "Live TV viewing was dropping off for a period of time at a fast clip, but it seems to have found its level and isn't going down as much now," Enoch says. "I think we've seen the largest decreases in TV were going to see."

In large part, this is because viewers are increasing the total amount of time they spend with media. "When we were first looking at it, there was talk of cannibalization. But it seems viewers are finding what my former boss, **ESPN's Artie Bulgrin**, called new markets of time," Enoch says.

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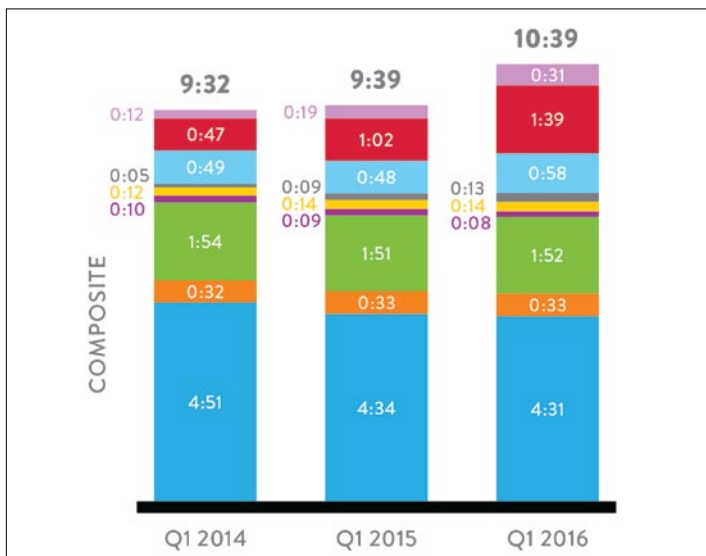


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AVERAGE TIME SPENT PER ADULT PER DAY BASED ON THE TOTAL US POPULATION



	2015-16 Diff	2015-16 Diff %
Total	1:00	+10%
Tablet (App/Web)	0:12	+63%
Smartphone (App/Web)	0:37	+60%
Internet on PC	0:10	+21%
Multimedia Device	0:04	+44%
Video Game Console	0:00	0%
DVD	(0:01)	-11%
AM/FM Radio	0:01	+1%
Time-shifted TV (DVR)	0:00	0%
Live TV	(0:03)	-1%

Source: Nielsen Total Audience Report Q1 2016

A reality check: A report on Universe Estimates (UE) for all networks measured by Nielsen comparing August 2015 with August 2016 reveals that of the 107 networks measured during this time, 80 experienced declines in UE households, 26 experienced increases and two networks experienced no change.

What's working for the networks that are holding their own and even thriving against the OTT riptide? Unique programming, a consistent brand and engaging efforts to drive viewership.

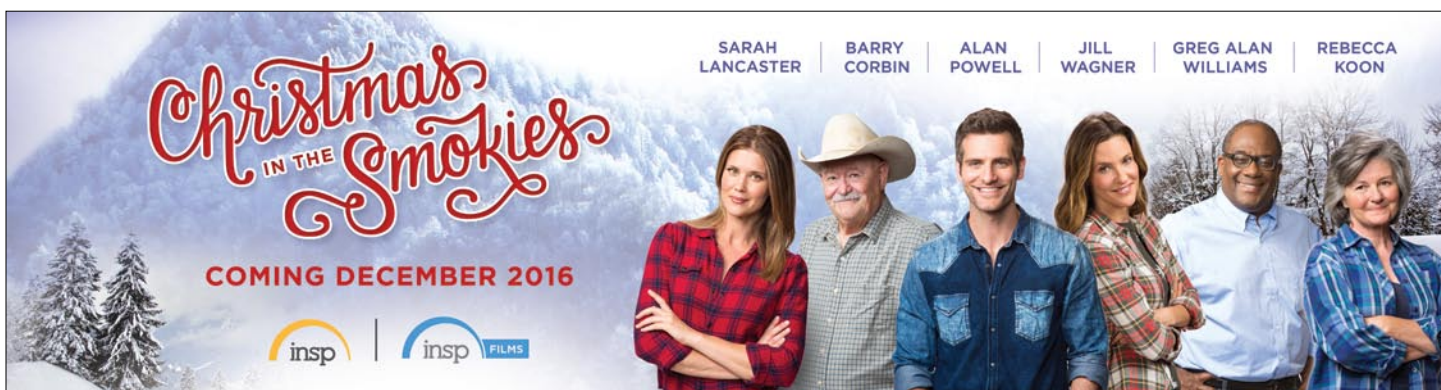
Staying on Message

"The uniqueness and consistency of the content is what creates brand loyalty," says Jon Steinlauf, president of national ad sales and marketing at Scripps Networks Interactive. "Today, a channel needs to have an identity and stand for something to break through. People want curated quality content that they can trust. Scripps

Networks has always believed in single-genre channels in the lifestyle categories."

Consistent brand identification is not only critical to drawing eyeballs, it augments tune-in time, says INSP's Ardizzone. "People put our network on and they leave it on," he says. "That's not something that is commonplace anymore. In an era where we increasingly come to be known by our shows and not by our brand, our viewers know us as a brand and an aggregator of that kind of content." For the week of Aug. 8 during primetime, viewers tuned in to the network for 30:49, placing it third behind ID and NBC affiliates.

"It sounds simple, but we deliver to viewers exactly what they expect every hour and every day," says Allison Page, GM of HGTV. "Furthermore, we lead the industry in the number of premiere episodes, so not only will viewers find something they love, they will also likely find



a fresh episode.”

First-run content is also a key component of the DNA at ID. “Another key to the strategy is we have a lot of premieres,” says *Kevin Bennett*, GM at the network, who notes sticky content that’s consistent with the brand is what cuts through the clutter today.

ID’s daily tune-in length for August was almost double that of the national length—51.5 minutes vs. 27.2, according to Bennett. “Things are coming at consumers left and right. If you’re a cable network in this day and age, you’re competing with a million options—and not just on the cable dial,” he says.

Other successful linear networks are capitalizing on their singularly defining elements. At **Hallmark Channel**, its kinship with the retail community has become an even bigger driver these days—and has contributed to the network’s 5.8 percent HH growth during the past year, according to Nielsen.

“We’re really trying to tie ourselves as closely as we can to what happens in the retail environment, and we are very unique in that way,” says *Bill Abbott*, president/CEO of parent Crown Media Family Networks. Abbott says Hallmark’s year-round original seasonal programming delivered in a branded environment is “what I would define as the secret sauce,” and adds, “With the retail outlets, we have built-in advertising the [other networks] don’t have, and we are trying to lean into those as much as possible.”

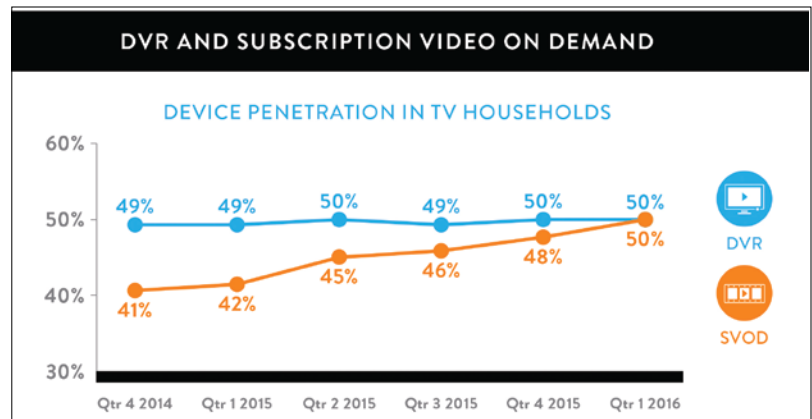
Importantly, advertisers have taken note. According to a July 2016 report from **Media Dynamics**, both cable and broadcast channels this year reversed two years of declining upfront spending on primetime TV to record a collective \$800 million increase, or 4.5 percent over the previous upfront.

“The financial models that surround linear television have been in place for a long time, and they are still the engine that drives this particular ecosystem,” says *Ardizzone*.

Notes Abbott, “There was a great rush over the past two to three years to migrate to digital, but the measurement there is even more difficult. The fact of how those messages are and are not seen in [digital platform] advertising has been a rude awakening to many. This past upfront saw a move back to the linear services that have worked so well for so many years.”

Digital As Friend, Not Foe

Which is not to suggest linear nets can thrive in a bubble. “We’re definitely looking at digital to help extend



Source: Nielsen Total Audience Report Q1 2016

our message,” Abbott adds. “Our digital content is also very reflective of the seasons. Across the board, that’s what our brand is about.”

ID is also using digital to empower linear. For its first serialized series “Vanishing Women,” the net activated big on social media. “We were really able through social media efforts and the crime feed website to peak interest before the show aired,” Bennett says.

Similarly, ID orchestrated a social media takeover for the sixth season return of “Homicide Hunters.” “It was a great way to re-energize that series,” he says. “I think it was our highest-rated returning series in terms of audience delivery. We know what our audience wants and we know how to use digital to target them.”

A focus on linear viewing “doesn’t mean there are not approaches within the digital ecosystem that work,” *Ardizzone* says. “There’s a lot of packaging that can be done, but one of the challenges with too much focus in digital is it is across so many different platforms it doesn’t always enjoy the same concentration of like-minded observers of TV.”

Noting INSP has had strong ad sales growth over the past five years, he says, “For us, things have not changed that dramatically. INSP has a viewer base that is very much still a traditional linear viewing base. We package deals, we roll them in with our own digital efforts, and we are hopefully serving all the needs of our ad clients in a broad way.”

And satisfying viewer desires and advertiser needs, as always, hinges on compelling content.

Live viewing for A25-54 demo actually was up in August for the first time since April 2013, according to Nielsen, though *Enoch* advises those looking for the beginning of a broad trend reversal to keep the champagne corked.

“The reason, frankly, was the Olympics,” he says. “When there are compelling events on the TV, people do respond.” — *Cathy Applefeld Olson*