

Cablefax Daily™

Friday — September 23, 2016

What the Industry Reads First

Volume 27 / No. 184

TV Innovation Summit: Experts Warn of OTT Overreaction

As the industry contemplates OTT and skinny bundles, here's some advice: Don't start a price war. Cable has been priced above the rate of inflation for 30+ years, and "you want to be careful about displacing a model like that," **MoffettNathanson's** *Craig Moffett* told the crowd at **Cablefax's** TV Innovation Summit Thurs. **EPIX** CEO *Mark Greenberg* issued a similar warning: "There's an overreaction by the industry that it needs a cheaper price. In business school, they teach you that a price war is a bad idea," he said. Instead, Greenberg urged the industry to focus instead on value adds, complaining that less than one-third of the TV universe even realizes that MSOs offer TV Everywhere. That sort of logic raises questions about the shift to the skinny bundle, though **Cincinnati Bell** is seeing success with its launch of a slimmer package under the MyTV name earlier this year. The company came up with something that looked like it would be appealing to consumers and charged a \$39.99/month base with 10 additional genre packs if consumers so desired them. Around \$45/month turned out to be the sweet spot, said Cincinnati Bell dir, content & consumer product marketing *Michael Morrison*. So how is the package doing? Cincinnati Bell had its estimates and goals, but the results have "blown that completely out of the water," he said. He estimated about 60% of the bundle's customers are new—and they over index in the millennial demo. And though 40% of existing customers tweaked their package by downgrading, Morrison said that prospect is "not scary at all." In fact, the new customers have both helped to offset programming costs and turned out to be "a customer we're all trying to reach." And here's the thing—distributors are becoming less afraid of cannibalization. "We have literally cannibalized ourselves over 14 decades, so we're not really scared about what's happening next," said **AT&T** Entertainment Group svp *Vicki Jones*. At AT&T, whether it's the upcoming DirecTV Now OTT launch or integrating AT&T's multiple touchpoints into a seamless experience, it's about getting the chess pieces in place for what's next, she said. **Mediacom** may be smaller in scale, but its playbook is similar. "If we don't cannibalize ourselves, others will for us," said Mediacom marketing svp *David McNaughton*. Mediacom's focusing on simplifying the experience, rolling out 30-min arrival windows and night appointments, offering **TiVo**. "It's really being open to new experiences that make life better for the customer," he said. Another theme from the day was thinking outside of traditional packaging, be it through a company like **Frequency**, which integrates digital short-form content along with traditional TV, or **Olympusat**, which has launched a white label



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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Sr. Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Cablefax/Screenster Editor: Kaylee Hultgren, 646.764.8267, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Dir. of Business Dev.: Rich Hauptner, 203.899.8460, rhauptner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Production: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,699.97/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

OTT service targeting Hispanic Americans. “I think everyone is starting to realize that it’s more about quality, more about packaging,” Frequency pres *Ian Aaron* said, adding that 35-40% of TV watching will be digital first in a few years. When talking the monetization piece, what does it take to survive in this complex environment—with mobile platforms to be monetized and programmatic advertising picking up steam? To some extent, new skills. “Understanding the fundamentals of programmatic is key,” said **Google** strategic partner lead, media & ent *Peter Dolchin*. “You can’t escape it.” The common thread may be data, but programmatic processes differ on linear and digital. But the notion that programmatic is indirect and nonhuman “is not necessarily what we’re going to see in a premium environment,” according to **Ooyala** AdTech Platforms gm *Scott Braley*. There will still be relationships involved. “I don’t think the martini lunches are going anytime soon,” he said. He added that in terms of skills, business strategy folks need to learn the technology side, and vice versa. Discussing the **FCC’s** set-top box proposal, **A+E Nets** analytics & CRM svp *Lee Boykoff* said the industry does have to think very carefully about who will curate TV content—as someone inevitably will. He added that in the distant future content will be consumed on all IP—whether through an STB or another mechanism.

Maffei’s Musings: The **FCC’s** app proposal as a way to open up the set-top market won’t present a major challenge to the operators in which **Liberty** has a stake, *Greg Maffei* told investors Thurs. “There already is a lot of competition driving data innovation in the set top box arena,” he said. “I look at companies like **Charter** bringing in third-party apps” to enhance the user experience. “I don’t view it as a major upheaval, more a continuing evolution.” Maffei also said consolidation among distributors will help them contain programming costs. “That’s the obvious opportunity. We’re seeing a tug of war going on, but it’s been going on for years, but now we’re seeing greater consolidation on the distribution side than content side, and that’s caused opportunity” for the large players. And while the general cable subscription universe is down 1% this year, Maffei doesn’t expect to see bleeding at Charter, which he said “has an opportunity to grow video subscribers in the next few years... What’s more, not only video subscribers but moving from basic to extended basic to higher-quality video revenue.” He added he’s “bullish” in moving to an all-digital experience at **Time Warner Cable** as already exists at Charter. That, and building a better user interface, will position the company “more likely to hold or continue to gain subscribers from here,” he said.

AT&T Dealing: Upcoming OTT service **DirectTV Now** just keeps getting deals done. On Thurs came the news **Scripps Networks** had reached a deal with **AT&T** for the service as well as renewed carriage. In an **SEC** filing, **Starz** said it has agreed in principle to multi-year extensions of its affiliation agreements with AT&T and DirectTV (presumably DirectTV Now is also covered). Ahead of Starz’s pending merger with **Lionsgate**, “this announcement should provide relief for those fearful of worst-case scenarios that carriage could have been dropped, or that the revenue decline (from a shift in revenue-sharing economics) would be as great as 10%,” **Evercore ISI** said in a research note. Lionsgate has agreed in principle to issue to AT&T three \$16.67mln annual installments of equity (or cash at Lionsgate’s election) following the completion of the proposed merger with Starz, subject to the entry into a definitive agreement with AT&T. If the merger is not completed, the Lionsgate installment payments would terminate and DirectTV and AT&T would have the option to terminate and renegotiate the multi-year extension arrangements with Starz. The Scripps-AT&T deal covers programming from **HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel** and **Great American Country**.

Kaitz: Another **Kaitz** dinner is in the books. Wed’s night’s fundraising gala generated nearly \$1.7mln from sponsors, patrons and friends that will support diversity and inclusion in the industry. **CNN** anchor *Fredricka Whitfield* hosted the event, which paid tribute to diversity award honorees **NALIP** and **A+E Networks**. Perhaps **NCTA** chmn *Michael Powell* gave the most memorable speech, calling out an election season that has created “a sanctuary for racial slur, gender hostility, for bullying the weak and even inciting violence,” and imploring attendees to build a wall against intolerance: “This is one wall I say we should build, or we all pay for it,” he said.

Reading from Scripps: Although he twice said he wasn’t “quite ready to do a victory lap on this one yet,” **Scripps Networks Interactive** pres/CEO *Ken Lowe* told investors **Travel Channel** is turning the corner with 10 consecutive months of growth and is on track eventually to join company top earners **HGTV** and **Food Network**. “I feel much more confident in where we’re going with this network. Admittedly it’s been a bit harder to capture because travel can mean different things to different folks, but we’re concentrating on a blend of what works best,” he said. And here’s some promising news: **HGTV**,

BUSINESS & FINANCE

which has seen a ratings rise of 4 percent YTD, is seeing “a huge” pickup among millennial viewers, he said. “As they start to age, they are becoming more interested in homes,” Lowe added, noting the demo is helping propel big tune-in for the network’s “Tiny Houses” programming. Food, which has seen a decline of 3 percent YTD, is undergoing a “revamping, going through somewhat of a transformation” that will see even more ramp-up on social media,” Lowe said. “The ratings cooled a bit, but it’s still a top 5,” he added, noting efforts to pull in family viewing at 8pm with shows like “Chopped Jr.” and “Food Network Star Kids.” Overall annual original production has been consistent for the past several years at about 2,500 hours per network, said Scripps CFO *Lori Hickok*. As for skinny bundles, they are “good for us,” Hickok added. “We like the dual income stream where we can monetize with subscriptions and advertising, and we have categories women like to see in the bundle.” – *Cathy Applefeld Olson*

On the Circuit: *Nomi Bergman*, former **Bright House** pres and sr exec officer of **Advance/Newhouse**, will deliver an opening keynote at **WICT’s** Tech it Out Conference during **Cable-Tec Expo** next Wed. Also on tap is a panel to explore leadership and tech. It includes **Comcast’s** *Theresa Hennesy*, **Arris’** *Livia Nascimento*, **Scripps Nets’** *Sarah Cottay* and **Comcast’s** *Sherita Caesar*.

Cablefax Daily Stockwatch

Company	09/22 Close	1-Day Ch	Company	09/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	53.86	0.61	INTEL:	37.55	0.10
ENTRAVISION:	7.45	0.10	INTERACTIVE CORP:	62.68	1.10
GRAY TELEVISION:	9.84	(0.19)	LEVEL 3:	47.40	(1.01)
MEDIA GENERAL:	17.92	0.12	MICROSOFT:	57.82	0.06
NEXSTAR:	52.67	0.12	NETFLIX:	95.83	0.95
SINCLAIR:	26.26	0.35	NIELSEN:	52.72	0.39
TEGNA:	21.25	0.37	SEACHANGE:	2.88	0.06
MSOS					
CABLE ONE:	577.03	(1.31)	SONY:	33.91	0.48
CHARTER:	276.73	2.46	SPRINT NEXTEL:	6.62	0.26
COMCAST:	67.30	0.14	SYNACOR:	2.98	0.01
GCI:	13.29	(0.06)	UNIVERSAL ELEC:	77.71	1.29
LIBERTY BROADBAND:	70.90	0.56	VONAGE:	6.64	0.17
LIBERTY GLOBAL:	33.92	0.42	YAHOO:	44.15	0.01
SHAW COMM:	20.22	0.11	TELCOS		
SHENTEL:	27.31	0.27	AT&T:	41.11	0.54
PROGRAMMING					
21ST CENTURY FOX:	24.30	0.30	CENTURYLINK:	27.61	0.69
AMC NETWORKS:	50.98	(0.44)	FRONTIER:	4.33	0.20
CBS:	50.07	(0.01)	TDS:	27.59	0.45
DISCOVERY:	25.71	1.18	VERIZON:	52.35	0.48
DISNEY:	93.41	1.02	MARKET INDICES		
GRUPO TELEVISA:	25.77	1.00	DOW:	18392.46	98.76
HSN:	39.60	1.07	NASDAQ:	5339.52	44.34
LIONSGATE:	20.99	0.02	S&P 500:	2177.18	14.06
MSG NETWORKS:	18.38	0.18			
SCRIPPS INT:	61.51	1.69			
STARZ:	31.69	0.11			
TIME WARNER:	77.31	0.65			
VIACOM:	40.19	(0.32)			
WWE:	20.54	0.31			
TECHNOLOGY					
ADVANTAGE:	1.82	0.05			
AMDOCS:	59.14	0.09			
AMPHENOL:	65.68	0.78			
APPLE:	114.62	1.07			
ARRIS GROUP:	29.34	0.44			
AVID TECH:	8.05	0.26			
BLNDER TONGUE:	0.65	0.09			
CISCO:	31.66	0.30			
COMMSCOPE:	30.79	0.15			
CONCURRENT:	5.63	0.10			
CONVERGYS:	30.01	0.59			
CSG SYSTEMS:	44.12	0.38			
ECHOSTAR:	41.05	0.94			
GOOGLE:	787.21	10.99			
HARMONIC:	4.78	0.02			



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PROGRAMMER'S PAGE

Serving the Underserved

Starz's strategy of serving underserved audiences in the premium space is really starting to pay dividends, pres & CEO *Chris Albrecht* said at the **Goldman Sachs** 25th Annual Communacopia Conference Thurs. And the face of that strategy is "Power," whose 3rd season finale premieres this Sun 9pm. The series follows an owner of a popular NYC nightclub who's a major player in one of the city's biggest illegal drug networks at the same time. Executive produced by *Curtis "50" Cent Jackson* and created by *Courtney A. Kemp*, it's immensely popular with African American audiences: according to Albrecht it's the 1st Starz show to ever reach 7mln viewers on linear and VOD—and even survived a schedule move from Sat night to Sun night. In fact, it was good for business. "A lot of it is about perception. We got so much press from moving to Sunday night," Albrecht said. "Being competitive on the biggest night of television is a good story for Starz." One of the many joys of *Power* is its authenticity—something the cast and creators take great pride in. For instance, it's a diverse group of characters, many of whom speak Spanish regularly. "Ultimately it's a story that takes place in New York, and so it has to be authentic to New York. And the point isn't casting simply for demographics, but to sort of tell the story of the melting pot that is that city," said cast member *Lela Loren* at the **Television Critics Association** press tour this summer. In fact, in the attempt to make the show "not uniformly one race it all," Kemp hit the nail on the head. "In my experience, my friends look like this. They don't look like monolithic. So it was important to me to make it if you're going to set it in New York, actually have it be what New York is... The reason they relate to the show is because they can see each of themselves in it." -- *Kaylee Hultgren*

Reviews: "High Maintenance," Friday, 11pm, **HBO**. This pot-based series is getting a fair amount of buzz (pun intended), and rightly so. Conceived on the web (subs can find original web eps on HBO GO and HBO NOW), it focuses on people who, in some fashion, interact with *The Guy* (co-creator *Ben Sinclair*). *The Guy* happens to be your garden-variety deliveryman. His product, though, is weed and his clientele is by recommendation only, in and around NY City. And he has scruples. In tonight's ep, an opening terrific story, a college student approaches him, hoping to buy. He ultimately refuses. It's ironic: the series isn't about weed. The pot merely ties the characters' stories together. In fact it's a collection of two vignettes per ep. Each vignette is a character study and has a slightly different tone. A story in the Sept. 30 ep premiering features a fun-loving dog walker (the wonderful *Yael Stone*) and is filmed from an unusual perspective. You'll see. -- "Masters of Sex," Sunday, 10pm, **Showtime**. While cable cools down in terms of premieres (the fun begins again in a few weeks), we re-visit series already underway. Again, the highlights of "Masters," besides *Michael Sheen* as *Masters*, include the deft editing and the dialogue about sex, spoken clinically, but with a nod to pleasure lurking beneath. -- *Seth Arenstein*

Basic Cable Rankings			
(9/12/16-9/18/16)			
Mon-Sun Prime			
1	ESPN	1.5	3374
2	FOXN	1	2439
3	HGTV	0.6	1508
3	TBSC	0.6	1452
3	USA	0.6	1346
6	MSNB	0.5	1193
6	HIST	0.5	1174
6	ID	0.5	1150
6	TNT	0.5	1088
11	FX	0.4	1007
11	DSNY	0.4	991
11	ADSM	0.4	894
11	LIFE	0.4	883
11	CNN	0.4	880
11	FOOD	0.4	859
17	NAN	0.3	786
17	DISC	0.3	754
17	FRFM	0.3	730
17	AMC	0.3	724
17	HALL	0.3	713
17	OWN	0.3	695
17	BRAV	0.3	692
17	SYFY	0.3	681
17	TLC	0.3	664
17	TVLD	0.3	663
17	A&E	0.3	626
17	NFLN	0.3	603
17	SPK	0.3	598
17	NKJR	0.3	575
17	DSJR	0.3	516
17	HMM	0.3	464
33	VH1	0.2	545
33	NGC	0.2	523
33	APL	0.2	515
33	LMN	0.2	505
33	CMDY	0.2	504
33	EN	0.2	445
33	GSN	0.2	445
33	WETV	0.2	434
33	INSP	0.2	420
33	TRAV	0.2	405
33	ESP2	0.2	380
33	MTV	0.2	362
33	TRU	0.2	361

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

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