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Bakish at NATPE: CEO Ready to Move Past Viacom Drama

When it comes to US distributors, "let's say we have some frayed relationships," **Viacom** pres/CEO *Bob Bakish* said during **NATPE** Miami Wednesday. That was just one of several issues he acknowledged needs work at the media company. "In some respects as I read about us in the press, we've become more of the underdog, which actually I like because there is a clear path forward," he said. He held MTV up as an example of a correctable issue, pointing to the leadership under **VH1** *Chris McCarthy,* who added **MTV** to his purview in late October. Bakish said December marked the first month in about 25 months that 18-34 ratings were up. "There's still a lot of work to do, but we remain confident that we can make good progress," he said. NATPE is one of his first big industry speaking engagements since his president/CEO title went from interim to permanent in December. In the audience was Viacom board member *Deborah Norville*, who had just participated in a previous panel about crime TV in cable (she's gearing up to launch a new show on **Reelzchannel** and pairing crime with celebrities). Bakish used the stage to argue that through all the drama at Viacom many important points have been lost—such as that it has more TV homes cumulatively than any other media company in the world. His fix-it list includes rebuilding morale. Viacom "always had one of the greatest cultures in the entertainment business… Elements of that are left, but it's definitely been beaten down," the CEO said. Anyone unaware that Bakish came from the international side of the house couldn't be in the dark for long. The 30-minute conversation had him repeatedly referring to successes and models used to grow MTV, **Nick**, **Spike** and other properties globally. One of the approaches he'll borrow from the international business is to operate more as an integrated company. When he took over international in 2007, it "operated pretty autonomously, market by market… we needed to operate more like a true, multinational company." On Wednesday, Viacom announced it had renewed and expanded its distribution deal with production company **495**, probably best known for bringing "Jersey Shore" to MTV. He made it clear that this deal spans brands, with good ideas going to where they most make sense. Oh yeah. Add brands to the fix-it list, with Bakish saying Viacom's fundamental belief in brands has gotten lost a little bit. He quickly rejected the idea that the company might shut down some brands, saying instead that it needs to make sure brands are vibrantly supported and have proper resources. "One of the missed opportunities has been that some of our programming has been too scattered so we don't have critical mass at networks," he said, making a case for flagship channels to have the support

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needed to find and grow multiple shows. The exec also identified short form as "probably a place where we can do more to find new ideas and 'pilot' things that ultimately could have a life in other places, maybe television, maybe movies."

Esquire Going All Digital: **NBCU's** male-focused **Esquire Network** is shutting down its linear network and launching a digital-only network in the spring. NBCU CEO *Steve Burke* warned last year of a winnowing of "weaker channels," saying his company owns 2 to 3 networks that "don't make a lot of money that we're constantly going back" to distributors and asking for more money for. The network was dropped by **AT&T** U-Verse and **DirecTV** last year. "Since its launch, Esquire Network has seen consistent growth among total viewers and key demos and has delivered significant value to our advertising partners. Men today consume content on a variety of platforms and it is essential that we follow our viewers," said *Adam Stotsky*, pres of **E!** and **Esquire** in a statement. "We are grateful to the team that has contributed to Esquire's many successes to date, and this new strategy sets us up for the future."

Cable One-NewWave Deal: **Cable One** agreed to acquire **NewWave Communications** for $735mln in cash. NewWave, a cable op serving non-urban areas of AK, IL, LA, MS, MO and TX, is owned by funds affiliated with **GTCR**, a Chicago-based private equity firm. Cable One expects annual cost savings of $24mln and tax benefit value of around $152mln. Together, the companies will serve more than 1.2mln PSUs. The transaction is expected to be financed with $650 million of senior secured loans and cash. The transaction is subject to customary regulatory closing conditions and is expected to be completed during 2Q, 2017. MoffettNathanson analysts said Cable One investors might have been surprised by the move. "Cable One has periodically indicated their interest in applying their unconventional broadband-first/video-lite strategy to potential targets. And getting bigger, given their small starting scale, certainly doesn't preclude eventually being acquired themselves. It arguably only makes it more likely, at least over the long term," they said in a research note. "Being an acquirer doesn't preclude being an acquiree. It's just that it probably isn't what most investors had in mind," they said.

YouTube POV: When longtime TV exec *Susanne Daniels* joined **YouTube** as its global head of original content, she faced a learning curve. She found herself asking traditional questions like 'did we do a national radio buy 48 hours in advance?' of a content launch. It took her a beat to understand that the **Google**-owned company thinks about how to reach an audience that's living on the web very differently. "We tend to not do advance marketing. We don't want to market until we upload content. The second you reach them is the second they want to see it," she said during a keynote at **NATPE** Miami Wednesday. The transition from MTV programming chief to YouTube has been a huge change. "I never have heard the word algorithm used as much as I do at YouTube," Daniels said. She's also tasked with building up the $9.99/month YouTube Red subscription business that launched in February 2016. In December, she said it exceeded the year subscription goals, which of course she declined to detail. Initially, Daniels said she looked at YouTube Red as a vehicle for top YouTube creators, whose loyal fans would follow them to the premium service. In 2017, she plans to continue that approach but also cast a wider net to work with more traditional talent. 2016 saw an explosion of SVOD offerings. She considers all of them as well as anything driving eyeballs competition. "I never felt the amount of competition that I do today," she said. However, she didn't sound too scared of **Facebook**, noting it skews older and has an average video watch time short of a minute vs 30 minutes at YouTube. She said she would never discount a competitor, but "I'm not overly concerned about it right now."

Netflix 4Q: **Netflix** ended 2016 with 93.8mln members on 19mln net additions vs 17.4mln a year ago. The quarter marked the 10-year anniversary of Netflix's launch of streaming. The company added 7.05mln net new members globally, against its forecast of 5.2mln and last year's 4Q performance of 5.59mln. It was the largest quarter of net additions in Netflix history, thanks to strong global acquisition trends. In the US, Netflix added 1.93mln subs, exceeding its forecast of 1.45mln and 1.56mln in the year-ago quarter. In their letter to shareholders, Netflix execs said that weakening of net neutrality laws, which many expect to occur under a GOP-dominated **FCC**, is unlikely to materially affect the company's domestic margins or service quality "because we are now popular enough with consumers to keep our relationships with ISPs stable." On a public policy basis, however, strong net neutrality is important to support innovation and smaller firms, the letter said.

Mediacom Goes Gigabit: **Mediacom** launched 1Gig Internet service across its entire IA footprint. The MSO said it's the 1st major US cable company to fully transition to the DOCSIS 3.1 Gigasphere platform. Starting with the launch in Iowa and parts of western IL, Mediacom plans extend Gigasphere across its 22 state footprint. The company said it will announce additional gigabit launches on a market by market basis throughout the remainder of the year.

Think about that for a minute...

Gone Exploring

Commentary by Steve Effros

I'll be getting on a plane this afternoon heading for New Zealand. For very different reasons a whole host of folks are heading into DC in the next few days, and it just seemed like an ideal time to get out of town.

No, my wife Lucia and I didn't choose to escape just before the inauguration and the demonstrations. It just happened to be the time we had booked, almost a year ago, to head to New Zealand and take a look. The process of doing it, however, has led to one of those observations I seem to always experience that says our consumer telecom interface is still woefully bad.

Have you tried to travel and still use your smartphone? It's an absurd mess of options, inconsistent technical variables and billing practices that make no sense at all. Do you just pay your carrier the excessive fees they charge per minute for calls back to the 'States? You can get 3 Gigs of data for less than $50 if you buy a "chip" at the airport in Auckland and stick it in your phone, but 300 Mbs will cost you $60 if you're stuck with a phone that hasn't (and can't be) "unlocked."

Do you just use WiFi and apps like WhatsApp or FaceTime or Duo, and how much data do those apps eat up, anyway? I know, you have to set the phone to only use them on WiFi, but how do you do that? Oh, and do we really have WiFi access in all the hotels and B&Bs we're staying in? Are you sure the folks you want to communicate with have the same app? Do they need it? I know some of the apps allow you to make calls to any phone, but what kind of "call" is that? Some, like Skype, require that you have an account "balance." Do you?

The questions keep on piling up, and the opinions on which way to handle it all are just as numerous as the questions! That's not good for consumers. Yes, I understand, at some point many of us throw up our hands and say forget it, I'm just going to pay the absurd fees and know that I've got service whenever and wherever I want it. (How much data does Google Maps eat up?.... Yup, I downloaded the maps so I can use them offline, did I need to?). On and on it goes.

Of course the entire cellular billing process in the US has been a jumble for many years with different buckets of minutes and data, but at least it was relatively easy to understand, and now we're seeing some real price competition on those buckets or "unlimited" plans. That's good for consumers, but I suspect it's going to get a lot tougher on the providers as both phone and data delivery become more and more commoditized. I mention all this because if you think this is only going to happen in the smartphone business, think again. It's coming to virtually every telecom delivery business, including video.

My recommendation: make things as simple to understand and use as you can. Be a "friend" to your customer. Prices and products, including programming, are going to flatten out and become commodities. Consumers will add and drop channels or packages at will. Customer service will decide whether they want to stay with your delivery or not. For now, I'm just hoping for text messages only for the next three weeks while I go exploring.

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.)