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What the Industry Reads First

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Indy Show: Consolidation Continues as Operators Court Customers

Put a bunch of execs in a room and it's often hard to find agreement, but continued consolidation in the cable space is one of those areas of consensus. "We've built the best Internet product out there.... We have a business people want to get into or alternatively, folks already in [want more of]," *Ryan Pearson* evp/gen counsel of **Harron Communications** said during the Independent Show's opening panel Monday. Harron is a prime example of that with **Cogeco**-backed **Atlantic Broadband** announcing earlier this month a \$1.4bln deal to buy Harron's **Metrocast** systems. "I think we're going to see [consolidation] in all forms," said **Wave Broadband** COO *Harold Zeitz*, noting the number of companies who've publicly expressed the desire to do some deals (**Altice** and **Cable One** come to mind). In May, **TPG Capital** announced a \$2.36bln deal for Wave that will see it combined with **RCN** and **Grande**. What **WOW!** CEO Steve Cochran finds heartening is that it's often the people at this annual conference coming together for consolidation rather than Tier 1 operators buying them out. "It's all about knowing the customer segment you're going after," he said. **WOW!** is no stranger to acquisitions, having purchased **Knology** and **NuLink**. It also recently launched an IPO. Despite the attractiveness of the business, there are still challenges, of course. Virtually every operator on Monday's panel said they needed better communication with customers. Katie Espeseth, new products vp for Chattanooga, TN-based municipal operator **EPB** said improved interactions are a must, whether online or mobile or beyond, because consumers are faced with so many more decisions today. Piling on to that later in the day was conference keynote *Shelly Palmer*, who warned attendees that if their company has a website that isn't optimized for mobile, they're "already dead." With a FTTH offering, speed has been important to EPB, which competes against Tier 1 ops with big pockets. Eventually that window of faster bandwidth closes though, Espeseth said. "What we have is local customer service. That's our biggest differentiator," she said. It's not just a matter of figuring out how consumers want to interact, but also speaking the same language. "We use terms like streaming, and not all our customers understand what that means," Zeitz said. Skinny bundles were briefly mentioned during the panel, moderated by **CNBC's** *Ron Insana*. Zeitz believes eventually the industry will get to a sports-free offering. EPB is focused on cutting down its video offering, with its smallest package featuring nearly 100 channels. "I don't think we can survive much longer" with that, Espeseth said. **CNBC's** *Insana* asked for everyone's take on a company like **Amazon**

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getting into the actual distribution business. “The Amazons of the world are limitless,” said Pearson. “I don’t see why they couldn’t.” However, it’s tough to build and run a network, Zeitz added, pointing to Google’s shift in strategy with Google Fiber. “Although Amazon is taking over the world, so who knows,” he added.


OTT & NCTC: Sports-centric virtual MVPD **fuboTV** has partnered with **NCTC** operators to bundle and promote the service for broadband-only subscribers. NCTC members as part of the deal will be able to offer customers free 30-day trials of fubo’s entry-level bundle twice per year. The package costs \$34.99/month and is generally available with a seven-day free trial. NCTC operators have a combined sub base of about 9mIn. Also inking a deal with the co-op is **PlayStation Vue**, which is available through various connected devices, including **Roku** and PlayStation consoles. Meanwhile, **Arris** is now offering three set-top boxes that support the NCTC’s VU-IT Program, which aims to allow independent operators to provide subscribers with OTT services. The MG2 Cable Media Gateway, Mi4 IP Client, and Qi3 Cable Set-Top/IP Client all utilize TiVo’s user interface. The devices all offer different functionality and are on display at the Independent Show.

Cox Securities: **Cox Communications** has commenced cash tender offers to purchase a number of its debt securities, including any and all outstanding 6.850% notes due 2018, 6.250% notes due 2018 and 9.375% notes due 2019, as well as some outstanding 8.375% notes due 2039, 6.950% notes due 2038, 6.450% notes due 2036, 6.950% notes due 2028 and 6.800% notes due 2028. The latter group is subject to certain caps. Cox’s offers are intended to help the company manage its debt maturity profile, prefund existing maturities and manage its overall cost of borrowing.

Streaming Majority: Almost two-thirds of US households have a subscription to at least one SVOD service, according to data from **Leichtman Research Group**. The 64% of households with an SVOD service is up from 47% in 2014. More than half of US households (51%) have more than one service. It is also worth noting that 62% of pay-TV subs have an SVOD service, compared to 72% of those who don’t subscribe to pay-TV.

Head in the Cloud: KS-based **Eagle Communications** and PA-based **Service Electric Cable TV** are both upgrading to **Alianza’s** Cloud Voice Platform for VoIP. Both companies are migrating from legacy hosted softswitch solutions.

People: **Viacom** named *Justin Dini* svp, corporate communications. Dini was previously a partner at **Brunswick Group**, where he helped lead the US technology, media and telecom practice. -- **Hulu** will have a new CMO later this summer, as **Google** veteran *Kelly Campbell* will be joining the company. She’ll oversee teams across the company, including brand marketing, media, content marketing and consumer research. -- **Univision Communications** promoted *Tonia O’Connor* to the newly created position of CRO, effective immediately. O’Connor joined the company in 2008.



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Independent Operators and Streaming Video

Indianapolis is affectionately known as the Crossroads of America, a moniker that is particularly apropos this week. As small- to mid-sized cable operators descend on the city for the 2017 Independent Show, many find themselves at a crossroads of their own regarding streaming video.

Everyone knows that viewers are consuming content in more ways, in more places and on more screens than ever before. Still, the decision to delve into streaming video isn't a simple one. Cost, technical challenges and content rights are all part of the calculus.

Synacor CEO Himesh Bhise knows this well. Given the low margins in video relative to broadband, many operators are reluctant to invest in customer engagement on the video side. The perception that a streaming video offering is simply a way to mitigate against sub losses, as opposed to a revenue driver, also prevents some operators from taking the plunge. Bhise's message is that MVPDs can still compete in video if they adapt.

"It's too early to retreat for MVPDs," Bhise said. "We believe that there is value for them to stay in the game, and the cost of staying in the game today is a lot lower than what it was several years ago."

In working with mid-tier MVPDs on authentication and streaming video solutions, he preaches a phased approach that lets operators ease into their investment in streaming video.

"You can have a really sophisticated, all-singing, all-dancing video platform where there's all kinds of features and functionality and all kinds of devices, which might be relevant for an extremely large video provider, but probably is way more than this segment of operators needs," he said. "It may not be the primary use cases that their consumers and subscribers are looking for, and it's probably at a cost beyond their appetite or budget."

Synacor points to search and discovery platforms as an entry point. This user interface provides a home base for online viewing where subscribers can browse and locate all the streaming content available with their cable subscription. With virtually no capital investment required, this option provides operators with a valuable online presence without breaking the bank.

With clients **GVTC** and **Consolidated**, the company has sought to add more value by creating an end-to-end solution that allows users to view linear and VOD content all in one place. In addition to search and discovery, the platform enables native video playback so the user can stay in the operator's domain while watching content away from the TV.

"It's about keeping your subscribers inside of your own branded experience," Bhise said. "They continue to see the benefits of the bundle and the portfolio of content that they're getting from Consolidated or GVTC. We believe that is what drives greater stickiness and retention for those operators than linking them to various programmers."

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