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What the Industry Reads First

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Game On: Watching Over Esports as New Leagues Form

It's October. Time for the **MLB** postseason and the return of football, with sports fans everywhere gearing up for the widely televised games and commentary across **ESPN, TBS, Fox** and more. But there's a different group of fans clamoring for the same experience in the world of esports. A future in which the biggest matches air on the largest networks may not be far off, with the upcoming "Overwatch League" potentially leading the way. "As traditional sports have proven, a league structure featuring city-based teams creates rooting interests and geographic rivalries that fuel the compelling nature of competitive sports and viewership," svp of strategic planning for **Comcast Spectacor Jim Pekala** said. That sort of structure is exactly the idea behind Overwatch, a new esports professional league from game publisher **Activision Blizzard** that's composed of city-based franchises around the world. The multiplayer first-person shooter was released in May 2016 and became an instant hit, earning the title of **Twitch's** most-watched new game of 2016. Spectacor recently became the owner of the Philadelphia-based Overwatch team, joining owners such as **Kroenke Sports & Ent, OpTic Gaming** and Chinese internet company **NetEase**. There have been no announcements of media partners so far, but each team's contract guarantees them an equal share in any broadcast rights deals. During Activision's 2Q earnings call, CEO **Robert Kotick** suggested upcoming major milestones would include broadcast rights and sponsorship opportunities. Activision recently announced a live-streaming media rights partnership cementing Twitch as the exclusive third-party streaming outlet for more than 20 of its games' live esports competitions through 2018, "which showed the value of our broadcast content," he said. "Just as importantly though, the partnership carved out a number of future opportunities for media rights sales, including those related to the Overwatch League." What, if any role, traditional TV outlets may play remains to be seen, with **rEvXP** co-founder and managing director **Dan Ciccone** suggesting that opportunities may be more along the lines of a programmer airing rights across digital properties, with possible linear simulcasts. "If it's strictly broadcast, and considering it's going to be international in scope, I think that would add another hurdle to consuming the content," said Ciccone, whose firm exclusively reps talent in esports and is a full-service marketing agency. "I don't think esports needs television. I think certain television properties could benefit from carrying esports programming, but a major challenge you have right now is when you look at how many people are cutting their cords, that's primarily the esports audience." Just as

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esports is looking at traditional sports, the opposite is also true. The **NBA** is working together with video game developer **Take-Two Interactive** to develop the “NBA 2K eLeague,” which will have squads representing 17 NBA teams facing off over a five-month season that starts next year. The league’s move naturally has raised questions over whether its existing TV partners, or even its own NBA TV cable net, could televise games. One of those partners, **Turner**, teamed with **WME-IMG** to launch the high-profile ELeague last year, televising games on **TBS** and digitally. The venture has shown there is an appetite for esports on TV, with the finals of its “Street Fighter V” Invitational last June drawing 335K viewers on TBS. Other traditional TV players have jumped into the mix. **Nickelodeon** has joined a group of investors funding Super League Gaming, and **NBCU** launched its own two-on-two esports tournament this summer for the popular game “Rocket League.” The hope is that new distribution outlets will be able to capture some of the massive success online platforms like Twitch have seen. “The vast majority of esports content has been presented online up to this point and the growth on those platforms has been remarkable,” Pekala said. “With a strong linear component in the mix, the possibilities grow even more attractive.” For those skeptical about esports’ appeal, Pekala noted that events have already comfortably sold out arenas like Madison Square Garden. “In 2018, a big trend we’ll see is going to be venues—different places that you can watch, play, and socialize around esports,” said *Blaine Graboyes*, CEO of **GameCo**, which has developed a video game gambling machine. Overwatch League may help foster city pride, making fans out of non-gamers. “It’s not uncommon that I’ll bring people to esports events and they have no idea what’s going on... but they just get swept up in the energy and the excitement of the space itself,” Graboyes said. “That’s part of a really interesting trend in the space— it’s not necessarily the core esports audience that’s really growing and expanding to create the wider mainstream audience.”

Sinclair Skirts Specifics: **Sinclair** told the **FCC** in a filing Thursday that it is preparing to make the divestitures necessary to comply with the agency’s national and local ownership limits ahead of its pending merger with **Tribune**. The filing was a response to the FCC Media Bureau’s request for information on Sinclair’s plans to achieve compliance with those limits, as well as details on specific post-transaction plans regarding local programming and capital investment. The company didn’t identify which specific stations are on the chopping block, however, as divestitures required by a separate **Department of Justice** review could impact how the company plans to achieve compliance with the FCC’s national ownership cap of 39%. Even with the controversial UHF Discount, the combined Sinclair-Tribune would have a 45.5% national audience reach before divestitures. Sinclair believes the DOJ review will conclude by the end of the year. In addition, Sinclair reported there are 10 markets in which the combined entity would be in violation of local ownership rules. It also noted that the result of petitions asking the FCC to reconsider its ownership rules could impact its course of action. To show it is not counting on the FCC changing its rules and is serious about potential divestitures, however, Sinclair noted it hired a consultancy, **Moelis & Co.**, in July to “assist and provide advice on potential station sales.” The company has supposedly contacted potential buyers to get a feel for the market for various assets it could potentially unload. In response to specific inquiries, Sinclair also discussed plans to add local programming and news coverage at Tribune stations. In addition, it elaborated on its previous claim that the deal would “offer great value to MVPDs” due to economies of scale. The company cited greater investment in local and specialized programming, the addition of digital nets at no cost to MVPDs and reduced negotiating costs. **The Coalition to Save Local Media**—which includes **ACA** and **NCTA**, as well as several independently owned cable nets and advocacy groups—scoffed at Sinclair’s filing in a statement. “Sinclair-Tribune’s response to the FCC is full of vague promises, incomplete answers, and unpersuasive evidence. They do not come close to providing adequate justification that their mega-merger is in the public interest,” the Coalition said. The group also called for further scrutiny of the deal by the FCC, DOJ and other parties.

He Shoots, He Scores: **Cox** has reached a deal to carry **AT&T SportsNet Rocky Mountain**, according to the *Las Vegas Review-Journal*, meaning local residents will be able to watch their new **NHL** team. The reported deal came just hours before the Vegas Golden Knights were scheduled to play their first game Friday night against the Dallas Stars. The team signed a local broadcast deal with AT&T SportsNet earlier in the year despite the fact that it wasn’t available at the time on Cox or **CenturyLink** in the area. The RSN reached a deal with CenturyLink last month before going down to the wire with Cox. The Golden Knights’ home opener airs nationally Tuesday night on **NBCSN** and is expected to feature an emotional tribute to victims of the Las Vegas shooting.

TiVo Change-Up: TiVo revealed in an SEC filing Friday that evp, COO *Pete Thompson* has resigned to pursue employment with a larger company. No word on where he's headed. Pres/CEO *Tom Carson*, who announced his intention to retire back in May, will assume his responsibilities. The filing said TiVo's board is pleased with the quality of candidates for the CEO spot and expects to announce a new leader shortly. Carson will remain in his current capacity until a successor is appointed and will then serve in an advisory capacity to the Board, and new CEO, to ensure a smooth transition. It's not clear what will happen with the COO role. Thompson joined the company last September from **Sonos** and had previously worked at **Ericsson**.

Sports Sponsorship: Virtual MVPDs have been getting busy in the sports sponsorship space this week. First, **YouTube TV** signed a deal with **MLB** to be the first-ever presenting sponsor of the World Series. It's an interesting choice for MLB given that the skinny bundle doesn't carry league-owned MLB Network or **TBS**, which is the home of the NLCS. The deal includes national TV spots and on-air mentions during Fox's World Series telecasts, as well as branding on the league's digital platforms and in-stadium promotion. **Fubo TV** also got into the sports sponsorship action, signing a deal with the **NHL's** Los Angeles Kings, its first deal with a pro sports team. The vMVPD will be the presenting sponsor of the Kings' online schedule, which will include a button directing fans to where they can stream the team's games on Fubo. Kings season-ticket holders will also receive special offers.

Google Downplays TV: When **Google Fiber** begins serving customers in Louisville and San Antonio, it will offer its high-speed internet service, but not its traditional TV add-on. Instead, the company in a blog post announcing the change touted the advantages of cutting the cord in favor of streaming options powered by Fiber internet. Google will continue to provide TV service in its 10 existing Fiber markets, though it said "more and more" customers in those cities are choosing internet-only options.

Crossing the Delaware: **Mediacom** is launching its gigabit broadband service in Delaware's Sussex County, as well as southeastern Maryland and southwestern Michigan. This phase of the rollout brings the 1 Gbps speeds to 27 communities. As in previous launch markets, Mediacom is also rolling out a 500 Mbps tier of service. Mediacom, the first major US cable company to fully transition to DOCSIS 3.1, plans to bring its gigabit broadband to "virtually all" of the 3mln homes and businesses within its 22-state footprint.

CTHRA Surveys: **CTHRA** is seeking input from programmers and operators for its Annual Compensation Surveys for 2018. The surveys provide insight and benchmarks on salaries, incentives and bonuses, allowing employers to determine how competitive they are in the industry. Consulting firm **Croner Company** will facilitate CTHRA's compensation planning meetings and conduct the surveys. Programmers will come together on Nov 29 while cable operators will gather on Nov 30 at **Comcast Cable Communications** in Philadelphia.

Ratings: The emergence of the Yankees' young stars en route to a playoff berth helped propel **YES Network's** ratings for the team's games to their highest level since 2012. The RSN, owned jointly by **Fox** and the team, averaged 334K viewers per game and a household rating of 3.57. That's a 57% jump from the net's average of 2.28 in 2016, when the net wasn't available on **Comcast** systems, and a 29% jump from a 2.77 in 2015. In addition, 40 Yankees telecasts this season generated a 4.0 or greater, compared to 0 last year and 10 in 2015. Through the end of 3Q, YES is the most-watched RSN in the country (total day and primetime). -- **WE tv's** "Growing up Hip Hop's" recently concluded third season delivered season-high ratings among all key demos and delivered nearly 1mln total viewers in **Nielsen** live+3 ratings. Compared to the July season premiere, the finale episode also grew an impressive 34% among women 25-54 to 484K. It was up 26% among adults 25-54 and 25% among women 18-49 during that same period.

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