

# Cablefax Daily™

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What the Industry Reads First

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## Future Gazing: AI-Based Discovery Could Determine Winners in OTT Space

Artificial intelligence is expected to be one of the hottest topics at CES 2018 given its ability to influence a wide range of industries. Video content is no exception, as execs in the OTT space on Monday touted the significance of AI in the industry's future. The most-cited use case for AI in video was improving content discovery. "Increasingly the question becomes how do you get the right content to the right person," said **IBM** partner, vp and chief strategist *Saul Berman*. "How does the right person discover that content at the right time? This is where technology of cognitive and artificial intelligence is so important. Because the average person doesn't have any more than 24 hours in a day and seven days in a week. That's not going to change." On an earlier panel, **Sony Pictures** svp, product and technology *Gulliver Smithers* pointed to content discovery and recommendations as a key factor in which platforms users will ultimately develop an affinity for. "Discovery is going to be the answer to differentiation and matching users' preferences with the service," he said. "Whether that's through AI or, as we do, through a combination of scheduling and algorithms—something where you have a point of view for sure—it's really about taking the decision-making out of it." Not everyone, however, is convinced that AI or some algorithm is the best means of content discovery. *Andrew McCollum*, who serves as CEO of the recently launched **Philo** skinny bundle, suggested it makes more sense to rely on social features to serve up content that a user's friends are watching. "What's much more meaningful is to say, 'oh, wow. Three of my friends watch this show and one of them is someone who told me about five other shows I really like and has great taste in TV and is watching the show right now. So if I watch it too, I can text them or talk about it with them tomorrow.' That's a much more meaningful way to connect with the content and say I have a reason to invest an hour of my time or, eventually many hours or days into this show." Philo has touted the eventual inclusion of such features in its platform, though the company hasn't rolled them out yet. A number of the experts speaking Monday also pointed to voice control as an important development that will continue to improve as a result of advances in AI. **Turner** svp, digital products *Richard Steiner* said voice can be a "tremendous discovery tool," but the technology just isn't there yet. **Gracenote** gm, video and sports *Simon Adams* said improving voice search is a massive undertaking from a metadata cataloging perspective. Beyond content discovery, AI has the potential to bring new business models to the forefront. Dynamic pricing has become the standard in industries like hospitality,

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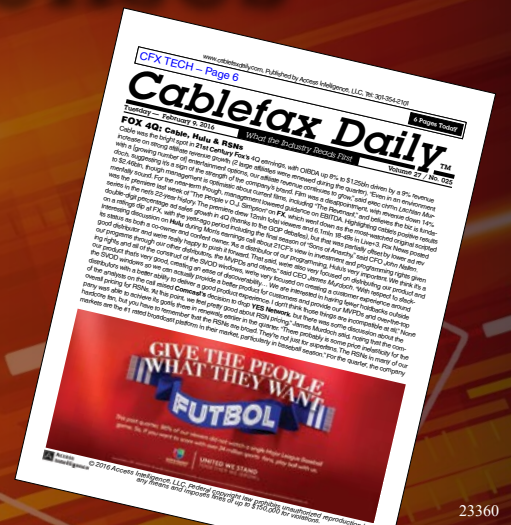
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travel and event tickets. The price for an airline ticket or hotel room fluctuates based on customer data, purchase timing, market demand and a number of other factors. Berman suggested Monday at CES that digital content distributors could benefit from adopting such a model. "That's where we think is the future. That's where we think monetization actually potentially grows when you get the right content to the right person at the maximum value they're willing to pay for it."

**Discovery Headed to NYC:** Discovery Communications informed employees at its Silver Spring, MD, office Tuesday that it would relocate its global headquarters to NYC in 2019. Some 1300 employees work in the office, with officials saying it's not clear yet how departments will be impacted. Assuming the company's \$14.6bln acquisition of **Scripps Networks Interactive** closes as expected in the coming months, it will establish a National Operations HQ at Scripps' current campus in Knoxville. A Maryland hub will be created to house jobs such as govt relations and **Discovery Education**. Parts of **TLC**, **Velocity**, **Investigation Discovery** and other networks are expected to also have a presence at the Maryland office. The news wasn't completely unexpected. Discovery has been moving jobs to L.A. and NYC over the past few years. And after its acquisition of Scripps was announced, Discovery made a point to correct a local news outlet that reported its headquarters would stay in Silver Spring, noting that no decision had been made. Knoxville is a less expensive city to operate in, with Discovery deciding after months of evaluation to keep the current Scripps campus and exit Silver Spring. Knoxville will continue to house the major Scripps brands and creative digital teams along with corporate functions. Discovery opened its Silver Spring office in 2003, helping to revitalize the city (in fact, it recently spent millions on a renovation of its HQ after moving post production and editing to the building). The building's history has included some scary moments as well. In 2010, a gunman took three employees hostage before being shot by police. In 2003, shortly after the building opened, glass panels near the ceiling shattered moments after the space below it had been filled with hundreds of people at a reception. Maryland has held a special spot for the company though, with *John Hendricks* founding it in Bethesda in 1982. "This was one of the toughest calls we have made in our company's history, and we do not take it lightly. I felt strongly about sharing the news with all of you as quickly as possible once the decision was finalized. Maryland is where the magic of Discovery first began. It also is where many of you, and your loved ones, call home. Where so many wonderful ideas, stories and innovations were first imagined," Discovery CEO *David Zaslav* wrote in a memo Tuesday. Employees attended a town hall meeting in the morning, with the company promising to provide various resources to help employees navigate the changes ahead. Discovery said more insight should be available on the timing and various decisions after the closing of the Scripps deal.

**Internet Freedom Fight:** At least 40 senators have signed on to co-sponsor a CRA resolution that would force a vote on whether to overturn the FCC's December decision to repeal the 2015 Open Internet Order, *Sen Ed Markey* (D-MA)

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announced at a press conference Tuesday morning. Word came later in the day that Republican Sen *Susan Collins* (ME) is among those who have stepped up in support of the move, giving Dems the potential to overturn the FCC order in the Senate if another Republican joins the effort. However, the measure would have to be approved by the House, which is a tougher battle. Dem Leader *Chuck Schumer* (D-NY) also attended Tuesday's news conference, speaking on the impact of net neutrality on those who have grown up with an open internet: millennials. Sen *Brian Schatz* (D-HI) echoed Schumer, noting he hadn't seen an issue spark such intense engagement amongst teenagers and college students since the Iraq war. Reps from **Free Press** and the **Open Technology Institute** were on hand to show the organizations' support for the CRA. **The Internet Innovation Alliance** released a statement in response to the conference, encouraging a bipartisan legislative solution instead of a "look backward." "IIA believes that internet openness guarantees should be provided, and Title II common carrier regulation is not the best way to assure those protections." In other net neutrality news, **MMTC** and the **Natl Assn of Black Owned Broadcasters** said Tuesday that the new FCC order is a step in the right direction by moving away from Title II, however, they are concerned it fails to retain Section 706 as a protection against no blocking, throttling or unfair discrimination. "By replacing Title II internet regulation with FTC-based internet oversight, but without Section 706 as a backup enforcement mechanism in the event the FTC's consumer protection mechanisms prove to be insufficient, the FCC's decision needs to be revisited, and legislation will be necessary to ensure that the open internet remains open," the groups said.

**Altice Spin: Pivotal Research** raised its year-end 2018 price target for **Altice USA** by \$3 to \$28. "In one fell swoop, the spin effectively eliminates concerns that continued issues in France will bleed into the US (by completely separating U.S. and French ops), reduces overall complexity and the previous ATUS float issue (which at yesterday's share price levels will rise from \$1.6B to \$6.5B when this transaction closes mid-'18)," the firm told clients. Pivotal expects Altice USA, which will continue to be led by Dexter Goei, to aggressively implement its \$2bln share repurchase program post spin. **MoffettNathanson** also was upbeat, declaring that the separation from Altice NV eliminates concerns that the US might be called upon to bail out a weakened European parent at a time when ATUS shares are "attractively low."

**Hulu Headcount:** Fresh off Golden Globe wins for "The Handmaid's Tale," **Hulu** said it ended 2017 with more than 17mln subs across its SVOD and live TV plans. It didn't provide a breakdown for its live offering. It's an impressive lift though, up more than 40% (+5mln) from its publicly reported total in 2016. Other stats: total audience grew to 54mln unique viewers; media viewer age is 31 with an annual HH income of \$92K; and viewers watched more than 65mln hours of "Seinfeld" last year.

**CES Notebook: ATSC, NAB and CTA** held an event at **CES** on Tuesday morning to celebrate the **FCC's** November approval of a voluntary rollout process for the next-generation broadcast standard. NAB pres/CEO *Gordon Smith* characterized the development as "the essential milestone" on the road to deployment of ATSC 3.0. "The FCC has blessed this and now it's up to consumer electronics and broadcasters to make it a reality," Smith told **Cablefax** following the event. ATSC pres *Mark Richer* and CTA pres/CEO *Gary Shapiro* joined Smith in the ceremony, which also commemorated the first set of standards for deployment. Asked about MVPDs' concerns regarding the standard's impact on retransmission consent negotiations, Smith expressed hope for a harmonious transition. "That's a business decision that will have to be made as to how ultimately everybody participates and wins with this," he said. "But broadcasting needs cable and cable needs broadcasting, so there's a community of interest." -- **Cox** used CES to announce that its gigabit internet service is now available to 40% of its footprint. The update, providing access to residential gigabit internet speeds across all markets nationwide, comes as part of Cox's plan to bring these speeds to nearly all customers within the next two years. Thanks to the deployment of DOCSIS 3.1 on Cox's existing network, the company is projected to bring these speeds to 99% of households by the end of 2019.

**FCC Notes:** **FCC** chmn *Ajit Pai* will attempt to make good on his pledge in April to create a new Office of Economics and Analytics at the agency. The Commission will vote at its January meeting on an order to establish an office to ensure that economic analysis is consistently incorporated as part of the agency's regular operations—a criticism Pai often levied as a minority commish. The proposed January agenda also includes a Public Notice that would set July 24 as the start date for the Connect America Fund Phase II auction and an order addressing challenges to the rules adopted for the auction, which will award up to \$1.98bln over 10 years to service providers that commit to offer voice and broadband to fixed location in high-cost areas. Also on tap is a proposal aimed at enhancing the effectiveness of wireless emergency alerts and the elimination of a requirement that broadcast stations submit paper copies to the FCC of certain documents related to ownership. There also is a mystery Enforcement Bureau item on the schedule that Pai wrote can't be discussed publicly for law enforcement reasons until the Jan 30 meeting. -- President *Trump* renomi-



nated Republican FCC commish *Brendan Carr* for another 5-year term at the agency. Carr was confirmed in August alongside *Jessica Rosenworcel*, but was only approved to fill former chmn Tom Wheeler's term, which expires in June.

**The Retran Record:** We saw this coming. As **Cablefax** reported [last month](#), 2017 was a record year for retrans blackouts. The **American Television Alliance's** final count of blackouts stands at 213 (**Cablefax** actually counts 217, with that count including two **Sarkes Tarzian** stations lost on **AT&T U-verse** in mid-December). Blackouts were up 107% over 2016's 104 blackouts, according to ATVA, whose membership includes **DISH** and **Charter**. Last year also eclipsed 2015's 193 blackouts.

**Smart Home: TiVo** is investing in smart home technology by announcing its integration with **Amazon Alexa** and **Google Assistant**. TiVo users can tailor their viewing experience through the use of pre-configured or custom-created IFTTT Applets. IFTTT capabilities include recognizing and automatically skipping commercial breaks, pausing the TV when someone rings a connected smart doorbell and sending text notifications when children attempt to break through parental controls.

**Game On:** *Tucker Roberts*, son of **Comcast** CEO *Brian Roberts*, will act as president of the company's new Philadelphia-based esports team in the newly-launched **Overwatch League**, according to a report by the *Philadelphia Inquirer*. Expected to appear at the Philadelphia Fusion's first media event in L.A. on Tuesday, the 27-year-old has operated as an advisor on the project since late September. Regular season Overwatch League matches, which begins Wednesday in the Blizzard Arena in Burbank, California, will be broadcast on **Major League Gaming** and **Twitch**.

**To The Slopes:** **NBC** Olympics will showcase more than 50 hours of live VR coverage during the Winter Games in PyeongChang, South Korea, marking the first time VR will be available for a Winter Olympics. Powered by **Intel True VR**, content will be available to authenticated users with **Windows Mixed Reality** headsets, **Samsung Gear VR**, **Google Cardboard** and Google Daydream with compatible iOS or Android devices via the NBC Sports VR app. VR replays of all livestreamed events will also be available.

**Ad Spending:** **ESPN** and **HGTV** are expected to see the largest increases in ad spending over the next 12 months, with 48% of ad executives expressing intentions to invest in the nets, according to **Beta Research**. Released as a part of the 2017 Beta Ad Executive Study, **ESPN/ABC Sports** earned top marks for its creative multi-platform opportunities, with 68% giving it a 4 or 5 on a 5-point scale, and **NBC** emerged as the top broadcast net in the category (58%). **E!** was applauded for increasing viewer engagement through social media (68%) while **Fox** won out with 52% of ad execs. As far as overall programming environment, **HGTV** (86%) and **ABC** (79%) rose above their competitors.

**Programming:** **Vimeo** will premiere original musically-inspired comedy "Bartlett" on Jan 30. Based on the life of *Martin Edwards*, the six-part series follows a group of dysfunctional Silicon Valley ad execs. TV veteran *Evan Shapiro*, who left **NBCUniversal** in May after the shuttering of **Seeso**, acts as an executive producer on the series. -- **HBO** documentary "May It Last: A Portrait of the Avett Brothers" will give viewers a behind-the-scenes look at the NC band. Produced and directed by *Judd Apatow*, the film debuts Jan 29 at 8pm. -- **Viceland** is renewing *2 Chainz's* "Most Expensivest" and extending drag comedy show "The Trixie & Katya Show," by six episodes. The network is also set to debut "Slutever," a look at sex in the modern world with **Vogue** sex columnist *Karley Sciortino*, on Jan 24 at 10pm.

**People:** *Damian Mulcock* is rising to become vp, gm of **Cisco's** service provider video software and solutions business. He'll guide the delivery of features allowing service providers to drive positive NPS for their customers. Mulcock, who carries 18 years of experience with mobile video start-ups and large corporations, joined Cisco in 2014 as part of the business's transformation team. - **truTV** elevated *Simmy Kustanowitz* to vp of development & original programming.



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