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What the Industry Reads First

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Deep Integration: Comcast Bolsters, Scales Smart Home Technology

Comcast is taking its quest for home automation domination to the next level, enabling a slew of new smart home functionality that it introduced to the media Wednesday morning at **CES**. The tech, which the company is extending to 15mln homes, links all of Comcast's Xfinity services—X1 video; xFi WiFi, Xfinity Home security and Xfinity Mobile—to create a comprehensive, easily accessible household-management system. The MSO is leveraging technology to let customers use either their X1 voice remote or any internet-connected device to control virtually any function around the house. In fact, the system will even enable a situational series of commands throughout the home. For example, a user can set up an "I'm Leaving" scenario that, when triggered, turns off all the lights, locks the door and arms the home security system simultaneously. Leave the house without locking up? The system will prompt the user via their mobile device to do so remotely. Beyond that, the system will eventually recognize patterns through machine learning and actually suggest other options to make a user's life easier. "We really see this opportunity around the notion of the digital home to be part of our customers' lives every day, and our ability to really tap into these different products and bring them together in a more integrated and seamless way," said Comcast evp, Xfinity Services *Matt Strauss*. "Where today we typically sell on price, in time, our ambition is to sell on experience. The more products and services you take from us, the better that experience." Comcast evp and chief product officer *Chris Satchell* said the company plans to work with any and all smart device manufacturers to integrate their IoT-based products into the Xfinity system. It will certify those devices with a "Works with Xfinity" stamp of approval. As customers add devices to their network, the system will suggest new automation scenarios and potential synergies between devices. Satchell suggested this "deep integration" is a departure from a current IoT pain point. "A lot of people want to sell you devices, and that's great; they're phenomenal devices," Satchell quipped. "But the problem is they leave it up to the customer. They say, 'Buy our smart stuff and magic will happen.' How does magic happen? 'I don't know. That's up to you. You're the customer.'" Satchell pointed to the company's partnership with Tile, a company that manufactures tracking devices, as an example of third-party device integration. Using the Xfinity voice remote, a user can simply ask for the location of whatever object the Tile is attached to, which will instantly be displayed on the TV screen. Other brands Comcast has partnered with include

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August, Honeywell, Kwikset, Lutron and Nest. Comcast introduced a wide range of features for both xFi and Xfinity home that give customers greater control over their networks and homes. Device Intelligence, for instance, is designed to simplify the process of adding smart devices to the network by identifying the specific type of device (i.e. 3rd Gen Apple TV, Nest thermostat) and offering troubleshooting steps. Another feature called Away Mode doesn't let any new devices join the network—even with the correct login information—when a user is out of the home. In the event someone attempts to access the network, the system will notify the customer on their mobile device. Secure Connect Mode allows customers to accept or deny requests to join the network. On the physical security side, the system can alert customers about unusual times of entry. Satchell said users can also request to be notified if there is no entry by a certain time, notifying parents in the event their child doesn't make it home. Users with cameras hooked up to their system can remotely view entry attempts and any other disturbance on the property.

CES Notebook: Disney-ABC Television Group pres *Ben Sherwood* declined to comment on his parent company's pending acquisition of **Fox** assets during his brief appearance Wednesday at **CES**, but did offer some details on Disney's upcoming OTT service. Sherwood said his group, which includes **ABC**, **Disney Channel** and **Disney XD**, among others, will be the largest contributor to the service with 7-8K hours of content at launch. He also hyped a new "High School Musical" series from the property's original producers that will premiere exclusively on the direct-to-consumer offering. Sherwood also addressed big-budget digital competitors, stating that Disney's commitment to spending significant capital in support of quality content allows him to remain confident in the face of new competitive pressure. -- Nothing like a power outage hitting the world's largest tech trade show. For approximately two hours Wednesday, parts of the Las Vegas Convention Center housing **CES** lost power. Around 1:15pm PT, **CTA** said that **Nevada Power** finished restoring power. Organizers were restricting access to parts of the center until power was back. Only parts of the floor were impacted, with CES directing visitors to exhibits in the South and North halls. The outage did not impact other convention venues on The Strip, where many of the media-centric panels took place Wednesday. CTA said the outages involved the Central Hall and South Hall bridge meeting rooms, with power in South Hall restored within minutes. "A preliminary assessment indicates that condensation from heavy rainfall caused a flashover on one of the facility's transformers. We are grateful to NV Energy for their swift assistance, to our customers and their clients for their patience and to the staff for ensuring the safety and security of all attendees and exhibitors," CTA said.

Discovery Talks Scripps in 2018: **Discovery Communications** CEO *David Zaslav* is still anticipating the company's acquisition of **Scripps Networks Interactive** to close by the end of 1Q, the exec affirmed at a **Citi** investor conference Wednesday. "It's an opportunity to really transform the cost of the company so we can invest more in what's going to

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generate real growth for us, which is investing more in our IP globally, investing more in our direct-to-consumer business,” Zaslav said. Discovery’s recent announcement of its move to NYC in 2019 is one step in this direction, with the exec noting that the change in scenery will also result in a reduction of Discovery’s overall core structure, boosting efficiency. He’s also eyeing revenue opportunities that could come out of distributing Scripps’ content across the globe. The anticipated rise in FCF will go directly to paying down the company’s debt, hopefully within two years. If revenues allow, he’s setting his sights on investing further in Discovery’s direct-to-consumer and sports offerings, and may even look to buy back the rest of the company. Tax reform will assist Discovery in its debt repayment efforts, with **Wells Fargo Securities’** *Marci Ryvicker* pointing to the lower rate, deductions in content capex and the interest expense deduction as wins for Discovery. No matter where Discovery chooses to utilize it, the FCF growth serves as a safeguard for the company in a cable environment that remains turbulent. Though he acknowledged the temptation to move towards scripted television, Zaslav said the company is committed to its current content. “Everybody is moving toward that, but that’s a very difficult game,” he said, adding the complications thrown in with competition from **Netflix** and **Amazon**. “We’re in the business of non-fiction. We are in the enthusiast super-fan business.” On the affiliate deal front, Zaslav revealed Discovery has just closed a deal with **Verizon**, a deal seen by Ryvicker as favorable for both parties.

Big Promo for Silverman at Fox: **Fox Sports** named *Mark Silverman* as pres, national networks. Currently **Big Ten Network** pres, he will oversee all programming, production, marketing and digital for **Fox**, **FS1** and **FS2** live events and studio shows. He’ll also keep his current responsibilities at **BTN**, which he has overseen since its inception in 2007. The role has been vacant since July, when Fox reportedly fired *Jamie Horowitz* amid an investigation into sexual harassment. Silverman assumes the new role Tuesday.

Sinclair Doings: **Sinclair** renewed all of its **ABC** affiliations through 2022. The deal includes its 31 ABC stations as well as three ABC affiliates it will pick up if/when the **Tribune** deal closes. Meanwhile, the *Financial Times* reports that **21st Century Fox** is finalizing the purchase of about 10 stations from Sinclair. The broadcaster has told the **FCC** it expects to divest stations in about 10 markets, including Seattle and Salt Lake City, so that it doesn’t exceed the national ownership cap post-Tribune.

The Voice: **DISH** will introduce hands-free TV capabilities using the **Google** Assistant in the near future, giving customers the ability to control their TVs using voice controls for the first time across multiple languages. By mid-2018, **DISH** customers with a broadband-connected Hopper DVR, Joey client or Wally single-tuner HD receiver can use Google Assistant to control the TV when it is paired with the Assistant on speakers like Google Home, Android phones or iPhones. **DISH** already touts **Amazon** Alexa support, becoming the first TV provider to offer direct compatibility with it in May. The company is also developing a new advanced voice remote, partnering with **Universal Electronics Inc** on the device. **UEI** has introduced features enhancing delivery and enabling the voice communications between the remote and the set-top box.

Come Together: **A+E Studios** has signed on to a two-year, first look development deal with production company **ThruLine Entertainment**, bringing the two together to develop and produce scripted content for the A+E network portfolio along with outside buyers. ThruLine produced **USA** comedy “Psych” under former moniker **Tagline**. Current projects include **Comedy Central’s** “Roast Battle” and **Hulu’s** “I Love You, America.”

Diversity First: **Univision** has created its inaugural Corporate Social Responsibility External Advisory Board, which will offer insights to the company’s Corporate Social Responsibility Internal Council. The board is comprised of leaders from various sectors with a record of empowering diverse communities. Founding members include **The Latino Coalition** chmn *Hector Barreto* and **Google** sr counsel on civil and human rights *Malika Saada Saar*.

Cable Center Honors: **The Cable Center** named former **NCTA** evp and COO *June Travis* as the recipient of the 2018 Bresnan Ethics in Business Award. Honoring late entrepreneur and former Cable Center board chmn *Bill Bresnan*, recipients are chosen for their demonstrations of ethical leadership qualities and engaging in their community. Retiring from cable in 1999, Travis served as an officer and board member on industry boards including **C-SPAN** and **WICT** while actively working with CO organizations such as the **Greater Denver Chamber of Commerce**. Travis will be honored at the 21st annual Cable Hall of Fame celebration on April 4 at the Ziegfeld Ballroom in NYC.

People: **FremantleMedia North America** named former **CMT** exec *Jayson Dinsmore* as its president of alternative programming and development, placing him at the head of the company’s domestic and global development strategy for unscripted content. -- Music and TV industry veteran *Natasha Desruisseaux* joined **BET Networks** as vp of talent relations, reporting directly to evp programming *Connie Orlando*. -- **Bravo** elevated *Zoe Rogovin* to vp, development. Rogovin has developed series including “The Real Housewives of Dallas” and “Andy Cohen’s Then & Now.”

Think about that for a minute...

The Exclusivity Binge

Commentary by Steve Effros

There are two trends that started to peak last year that have had a significant impact on the way we watch television programming. I think they will accelerate this year and then we'll finally get some sense whether they are good or bad either for the business of video delivery or consumers.



I speak of program exclusivity and "binge" watching, or at least availability. Neither is actually new, but both have taken on much larger dimensions and are changing the nature of making and marketing video entertainment.

Let's start with exclusivity. This is not a new concept for either broadcasters or the cable industry. The **FCC's** original rules on permissible carriage of broadcast signals by cable operators had specific rules, still in place, that protected "exclusive" programming shown by a local broadcaster. The cable guy had to black out a distant signal that was carrying a program the local broadcaster had purchased "exclusively" for that market.

But now exclusivity has taken a very different turn and is making things much harder for consumers. **Netflix, Amazon, Hulu** and the rest are all spending immense amounts of money to create exclusive content. We're talking about \$8 billion for Netflix alone forecast for 2018. Now the whole point of exclusive content is that if you have a "must see" program then viewers have to deal with a "must buy" program service. Again, not new. HBO was the original model. But it has now become ubiquitous, and since the advent of OTT, the programmer no longer pays for delivery. Consumers buy the program availability from Netflix, but then they have to pay to get the video delivered as well. In other words, if there are three, four or five services all with "exclusive" "must see" programming, the consumer bill is going to get very high.

The reason the programmers are paying so much is they have to produce so much. Most new shows or series are not "must see," and never will be. But platforms like Netflix or Amazon or HBO are now totally tied to creating at least one blockbuster each year to keep their subscribers. That gets very tough.

Link that trend with "binge watching" and you can see the outlines of a real problem; if a programmer only has one or two "must see" series, and you can watch those series all in one or two long nights of binge viewing, what prevents the consumer from simply subscribing for one month, seeing the "premier" show, then dropping off the subscription list until the next really good thing comes along? At the moment, nothing. I suspect this may change in the future if there is any indication that is becoming a trend. Yearly subscriptions, anyone?

Of course, **HBO** has avoided this potential problem by eschewing the "binge watch" format for its most popular shows, and given the buzz created by watching one episode a week of something like "Game of Thrones" and then reading a week's worth of analysis and gossip about it, creating more buzz, maybe they have something. Maybe the "old way" still makes some sense. We'll see.

In any case, there is a certain irony in the exclusivity trend. From a policy point of view it's diametrically opposite the original "cable" rules that said, for instance, all broadcast stations "must" be carried on the "basic tier" to everyone. This may be the logical beginning of the end for "must carry" and "retransmission consent" leverage. Why carry broadcasters at all? More on that soon.

Steve

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