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Working Together: Producers, Network Execs Finding Ways to Meet in Middle

For the past few years, producers have complained that network groups are financially squeezing them while demanding even higher quality content. But **Realscreen's** opening session Monday in DC signaled recognition of the need for more harmony between the two sides. "It's a great time to be a storyteller, but the problem is monetizing content," said *John Ford*, gm of **NPACT**, a trade association for non-fiction production companies. "It's becoming harder to do it on traditional cable, and OTT kind of looks good, but it's largely unprofitable… The challenge for producers and content exporters is how do you get people to pay, either by watching commercials or subscribing, downloading and paying $1.29 for content. Where we are in our gravest risk is not figuring out together how to properly monetize content." Instead of bemoaning the margin cuts that producers are feeling (though there was some of that), the group discussed finding alternative sources for funding TV projects and the need for producers to put more skin into the game before asking for a piece of ownership in a series. How much they are putting on the line could be a concern though. *Tom Forman*, CEO of **Critical Content**, the studio behind **MTV's** "Catfish," confessed that for the first time in his life, "I'm over my skis, out more than a half million bucks to go and buy exclusive video tape" that he thinks can be turned into a two-hour special. "That's not a thing a nonfiction producer would have considered two years ago," he said. "In 2018, I think that's almost what it takes. It's going to be that risk-taking from a business model standpoint, extraordinary access or opportunity... I think you have to be willing to make that kind of investment or just have a big idea," he said. Network execs on the panel stressed the need for open communication. "The model isn't working for anyone in the industry financially right now so it's important" that production and networks have those conversations, said *Russ McCarroll*, who joined **Discovery** as svp, development and production in October. **Scripps Networks** chief programming, content & brand officer *Kathleen Finch* gave him an amen, saying she calls back the producers she has the best relationships with in less than an hour because she knows they have something big. "The most important thing for us is content," she said. "The last thing we want to do is alienate production." How do pending mergers, such as Discovery-Scripps and **Disney-Fox**, impact the market? "It can be good if the companies together are financially stronger than they were before," Ford said. On the flip side, it could be worse if

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they combine to create a big behemoth with a difficult-to-navigate bureaucracy. **ITV America** CEO *Brent Montgomery* sees the advantages of the deal, declaring that the possibility that Finch might oversee more networks gives him a new in. As for the competition from online players like **Netflix**, it does mean there are more buyers and the potential to lose out on a project. "But it does incentivize us to move quickly and go straight to series," said *Liz Gately*, **Lifetime's** evp, head of programming. "What we have that some of the OTTs don't have yet is brand. You've got the benefit of viewers going there for a particular experience." Brand and its role in the pitch was mentioned several times. Even when you have a show that you think you could bring to more than one network, you have to adapt it specifically for each network, explained Forman. Finch heartily agreed, warning the crowd not to bring a loud, L.A.-based million-dollar property show obviously meant for **Bravo** to **HGTV**. Though even here, there seems to be some flexibility. McCarroll said Discovery is trying to broaden its aperture, noting viewers don't want "to see the same thing every night." And sometimes the wrong brand pitch is right, with Montgomery recounting how "Pawn Stars" was brought to **History** as a practice pitch, but "unbeknownst to us, they were looking to shift gears at the time."

Federal 5G: The *Trump* administration is considering "an unprecedented federal takeover" of the US' mobile infrastructure, according to a Sunday evening report from *Axios*. Documents cited in the report assert that the US needs a centralized, nationwide 5G network within three years to guard against China and other "bad actors." The documents outline two options. The first involves the US government paying for and building a single network. The memo advocates for the government renting access to wireless carriers once it constructs the network. The second plan involves wireless providers building their own 5G networks that compete with one another, which the document says would take longer and cost more, but would cause "less commercial disruption" to the wireless industry. Axios cited a source as saying the second plan isn't really an option, as a centralized network is the only way to guard against the aforementioned bad actors. Reaction in DC has been largely negative. **FCC** chmn *Ajit Pai* issued a statement Monday morning, saying he opposes any effort by the government to build and operate its own 5G network. "Any federal effort to construct a nationalized 5G network would be a costly and counterproductive distraction from the policies we need to help the United States win the 5G future." The Republican chmn coming out against a Trump administration proposal is uncharacteristic, as Pai has largely avoided discussing comments by the president about issues that fall under the FCC's purview. Both Republican FCC commissioners, *Mike O'Rielly* and *Brendan Carr*, also shot down the idea, with the former comparing it to a lead balloon and a Ford Pinto. Democratic commissioner *Mignon Clyburn*, who has advocated for municipal involvement in connectivity, said, "Localities have a central role to play; the technical expertise possessed by industry should be utilized; and cybersecurity must be a core consideration.

A network built by the federal government, I fear, does not leverage the best approach needed for our nation to win the 5G race." **Wells Fargo Securities** analyst *Marci Ryvicker* noted the proposal doesn't mention any compensation for current spectrum holders. She believes a nationalized 5G network would "face an uphill battle," as current spectrum holders would utilize "any and all legal channels" to prevent it from happening.

Across the Universe: Traditional pay TV network penetration rates are in an ongoing decline, according to **Nielsen's** cable universe data for February. **Pivotal Research's** Brian Wieser noted in his analysis that the median cable net tracked by Nielsen lost 3.2% of its subs since last February despite a 1% growth rate for total TV households. **Scripps Networks** saw the most concerning dip (-5.4%), while **AMC Networks** (-1.9%) and **Fox** cable nets (-1.2%) saw the least erosion. These figures exclude virtual MVPDs, but Wieser indicated their inclusion wouldn't make all that much of a difference on the year-over-year numbers. vMVPD penetration data indicated major network groups' media networks add back 600K-1.8mln vMVPD subs. **Viacom** and **Discovery**, who have had trouble achieving carriage on skinny bundles, were at the lower end of the range with 800K and 600K, respectively. **NBCUniversal**, on the other hand, had median incremental vMVPD distribution of 1.4mln subs for its typical network.

Realscreen Notebook: As many traditional players try to shift into OTT mode, you've got to give a certain amount of reverence to **Discovery Communications** founder *John Hendricks* and his entry into the space with **CuriosityStream**. The entrepreneur placed his bet relatively early, launching the service with its 1500+ docs on demand in 2015. Fresh off a deal to bring the service for $5.99/month to **Comcast** X1 users, Hendricks said at **Realscreen** Monday that he expects to have a lot of distribution in place by the end of 1Q. Carriage through traditional operators or via **Amazon Channels** is critical, he said, because "the biggest challenge for a la carte on-demand services is marketing—how do consumers know they exist and how do they subscribe?" **Netflix** has said it will spend a little over $1bln in marketing this year. **Hulu** will spend about $135mln. Hendricks said CuriosityStream is looking at launching a campaign this April for around $60-80mln. "Those are big dollars, but we will eventually have to get up to what Hulu is spending just to have a chance for people to discover your service and subscribe," he said. Hendricks' prediction is that the smaller (i.e., not Netflix and Amazon) players are going to have price services down to $1 to $1.50/month—as opposed to $4.99 or $5.99—and make up the difference in volume. -- **Richard Au**, Amazon Channels director, head of content acquisitions, said some 150 companies have partnered with Amazon because it makes it really easy to consume lots of diverse content in one app. When it comes to channels that are doing well, Au highlighted premium networks such as **HBO**, **Starz** and **Showtime**. Amazon Channels' recent launch of **CBS All Access** is going really well, he said. At the same time, Au said certain niches are becoming popular, particularly British programming. He singled out **BritBox** along with **PBS Masterpiece**, CuriosityStream and **Shudder** as niches that have attracted an audience. Amazon jumped into live programming this fall with "Thursday Night Football." Au said he doesn't think the streamer will go into live programming in a material way, but "will continue to add live events that make sense" because customers are always looking for great content.

Rain Dance: The **National Advertising Division** is calling for **Charter** to discontinue one TV spot and modify another based on a complaint from **DirecTV**. The ads both feature a Grim Reaper character complaining about how his satellite TV "went out in the rain." In one, the voiceover says, "TV that cuts out in the rain is evil. Spectrum is reliable. Satellite TV Bad. Spectrum Good." DirecTV is also filing a cross-appeal challenging NAD's decision that messages in a revised version of the commercial—that occasional outages due to inclement weather are a consumer relevant occurrence—were supported. Charter issued a statement saying, "Charter appreciates NAD's conclusion that its nationwide survey of over 800 satellite customers about their experience with lost service due to rain supports the message communicated by its commercial that service outages due to rain are a consumer relevant occurrence for satellite television customers. Charter, however, strongly disagrees with NAD's recommendation that it permanently discontinue an alternate version of the commercial that depicts a satellite television customer saying that his family lost service in the rain 'again.'"

One for the Money: **Altice One**, the cable provider's new all-in-one set-top box, is now available across the full **Optimum** footprint and includes integrated **Netflix** access. The compact device offers UHD video, broadband, WiFi and IP phone service. The user interface allows for personalization and includes access to live TV, VOD content, streaming apps and cloud DVR recordings. Altice One comes with a voice remote that allows for advanced search.

Midwestern Values: **Comcast Business** plans to invest more than $18mln this year to expand its network in suburbs of both the Minneapolis-St. Paul metro area and Kansas City.

Ratings: The premiere of **TNT's** "The Alienist" on Jan 22 averaged 3.1mln total viewers and 1mln A18-49 (Live + 3). The net said the debut episode reached a cumulative 13.1mln total viewers across all airings throughout the week.

SCREENSTER
BY ALEX SILVERMAN

A Different Point of Vue

The virtual MVPD landscape is beginning to come into clearer focus, with subscriber counts—either announced or reported—giving industry observers some idea of which services are capturing market share in the distribution model's early days.

DISH's Sling TV, the cheapest option on the market, is the clubhouse leader with more than 2mln subs. **DirecTV Now** celebrated exceeding the 1mln mark last year. Earlier this month, *CNBC* reported that **Hulu's** live TV service and **YouTube TV**—both of which launched last year—have accrued 450K and 300K subs, respectively. Even **Fubo TV**, the independent sports-centric service, announced it surpassed 100K customers last year.

Then there's **Sony's PlayStation Vue**, which became the first live linear OTT service to market in early 2015. **BTIG Research** estimates the service has about 500K subs, putting it on similar footing to Hulu despite a two-year head start.

All of the services have room to grow. **UBS** in late 2016 projected about 15mln Americans could subscribe to virtual MVPDs by 2020. More recently, **The Diffusion Group** forecasted virtual MVPDs could account for 14% of the US pay-TV market by 2030 (it also expects traditional pay-TV subs to decline by 26% in that time).

Assuming virtual MVPDs catch on as projected, the question becomes which ones will be leaders in the space and which ones will be left behind.

"I think the key is either driving the price point down or to figure out a way to differentiate the product from the growing set of peers," said BTIG Research's Rich Greenfield.

PlayStation vp and head of Vue *Dwayne Benefield* considers the added competition in the space a positive, saying it has increased awareness of the virtual MVPD market. He noted the company has seen growth accelerate as each new entrant has emerged.

"When we first launched, we were out there as the first OTT player with live linear content with pay-TV channels, and then Sling shortly followed us. It was just two of us for a couple of years, and that was a challenge for awareness," he said. "There was a lot of education needed. I think the entrance of a few others has actually increased the awareness and peoples' openness to looking at the internet for delivery of their pay television."

The primary acquisition avenue for Vue is the PlayStation Network, which Benefield said has more than 70mln active gamers, most of whom are "heavily engaged" (average usage per session is more than five hours).

Still, Vue is on a mission to cast a wider net by dispelling the misconception that only PlayStation users can take advantage of the service. In fact, it is available on the majority of major streaming devices like its peers.

The company hit a milestone last year when overall usage on non-console devices surpassed usage on PlayStation consoles. Still, more than half of the service's signups originate from PlayStation consoles, an indicator of the need for broader customer acquisition.

In terms of differentiators, Vue is counting on several features within its user interface to lure customers. The service allows users up to five simultaneous streams, more than any of its competitors, which makes it ideal for families that want to watch TV on the go. It also offers a Multi-View feature that allows viewers to watch three different programs at once, making it a great tool for sports fans.

For now, Hulu and Sling TV have the strongest differentiators on the market. With its SVOD service rolled in, Hulu can offer tons of back content, plus originals. Sling TV has the appeal of its low price point. Going forward, it will be important for Vue and its peers to develop significant value adds to lure the increasing number of cord-cutters.