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Thursday — September 13, 2018

What the Industry Reads First

Volume 29 / No. 176

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## Mobile Vision: 5G Dominates the Conversation at MWCA

5G cellular service has plenty of potential where bandwidth efficiency, latency and immersive content are concerned, and distribution executives are embracing 5G's promise while also acknowledging the challenges on opening day of **Mobile World Congress Americas 2018**. 5G dominated conversations and keynotes at MWCA on Wednesday. **Verizon** revealed Tuesday it will launch 5G services next month in four markets: Houston, Indianapolis, L.A. and Sacramento. Its "5G Home" service will offer bandwidth from 300 Mbps to nearly 1 Gbps. And CEOs and association executives like **Sprint's Marcelo Claure** extolled 5G's arrival at MWCA, while also making familiar pleas for regulatory relief, investment incentives and federal directives to expedite 5G rollout. The clear message was that 5G is an unprecedented convergence of technology, content, broadband and wireless networking that has major repercussions for how distribution is organized, from both a technical and business perspective. And it was also clear industry executives expect 5G to be the next major disruptor in video distribution. "**Netflix** had a major role in how we got to this point with distribution, with its roots well outside Hollywood and determining how we receive and consume content," said **Andrew Sneed**, managing partner of investment firm **Delta Partners**. "Despite smaller revenues, investors are rewarding internet distribution," he added, pointing to a major contrast between **Netflix** and a more stalwart content creator like **Disney**. And he predicted that 5G will impact how consumers engage with content, foster new business models and maybe even provide a way for traditional operators to regain relevance. **John Curbishley**, svp, distribution strategy at **Viacom**, said distributors ignore the advent of 5G at their peril. He pointed to the 228mln post-paid mobile subscribers in the US versus 100mln paid TV subscribers. Moreover, the average mobile user in the US watches 37 minutes of video per day on a phone, a threshold that's steadily increasing over time. People have an appetite for video—not just short form, but also social video and long form content of 20+ minutes, he explained. And 5G or not, there are some ongoing consumption constraints. "At least in the US, users are concerned about limited data plans and battery life. Despite that, we continue to see growing use of mobile" for video consumption, Curbishley added. For content owners, 5G can translate into new kinds of distribution partnerships, new formats and even new audiences, according to the Viacom exec. "Carriers can use this to reduce churn and create new video revenue streams," he said, adding they may also be able to get a leg up on mobile service providers, whose service



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reputations and reliability have suffered over the years. 5G will invite some carriers and service providers into the content business and that gives consumers even more choices, according to *Darcy Antonellis*, CEO of **Vubiquity**, a content aggregator that's also a division of Amdocs. 5G is forcing some hard questions about how to monetize the brave new broadband world. Antonellis said Vubiquity's equation for that includes distribution excellence, top-notch analytics from which to derive consumer insights, as well as marketing intelligence that helps them understand when to promote something or make additional offers and options to subscribers. "If you don't get it right in these three pillars, chances are you're going to have a challenge," she said. 5G is going to usher in the next generation of "immersive and impactful content," said *Alex Wallace*, a vp at **Oath Studios** and a former **NBC News** executive. To that end, this week Oath launched a new division to create content that taps broadband, video, gaming, holograms and mobility. "Media and content have crashed into each other and are now one," she added. And 5G will take that to a whole new level. — *Terry Sweeney*

**Break Out the 5G Earmuffs:** With the mobile world convening this week on the West Coast, the 5G chatter is in hyper mode as questions linger over what sort of threat it poses to cable. "This industry, for those that have been following it for a long time, there's always something coming to disrupt the future. And that's what made various moments of investor enthusiasm, concern," **Comcast** CEO *Brian Roberts* said at Wednesday's **Goldman Sachs** conference. "What I think management has to do is kind of put earmuffs on and try to compete as vigorously as you can." Ultimately, he doesn't think anyone really knows what 5G's potential is, but "we're going to be ready to compete." Roberts beat the drum that Comcast is well positioned when it comes to disruption, pointing to growth for all parts of **NBCU** along with the 1.2mln broadband relationships added in the past year 800K new customer relationships overall. Fun fact he dropped: the top 10% of Comcast power broadband users consume at least 600 gigabits a month—a capacity that he said was 90x that for wireless and triple where Comcast's average customers fall. All of that boils down to Comcast's belief that there's lengthy runway for broadband and connectivity. Don't take that to mean the company has given up on video. It hasn't, but it's looking to compete for profitable video customers. That means it may not be worth crying over those folks leaving for vMVPDs. "People are starting to raise prices on their introductory offers and we are sorting it out in a way that I think our net video business continues to add value to our connectivity business," Robert said. Speaking of competition, **AT&T's** *Randall Stephenson* paid Comcast a compliment earlier in the day at conference. "They're having a lot of success in the business segment, particularly with broadband," he said. But don't take that to mean AT&T is ready to cede any business, with Stephenson calling it the company's most important segment behind mobile. "It's a really important segment to us, particularly as it relates to wireless," he said, adding that it will become even more significant as AT&T scales FirstNet. He said the business services business is healthy despite the lack of growth last quarter. "We're seeing some price competition that kind of snuck up on us. It hit very quickly. We're responding to that, but it's put some pricing pressure on revenue growth." If you're wondering about the **DOJ's** appeal of AT&T's acquisition of **Time Warner**, Stephenson was emphatic that executives are spending hardly any time at all on this, leaving it to the courts. "It is having no impact on how we work through integration and execute on plans," he said, predicting it to "wind up" in the January-February timeframe.

**Discovery Finds New Homes:** **Discovery** is leaving its usual box, striking a distribution agreement with **Hulu** that will bring five Discovery networks—**Discovery Channel**, **TLC**, **ID**, **Motor Trend** and **Animal Planet**—to the stream-

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ing service. They join **HGTV**, **Food Network** and **Travel Channel**, which have been on the service since its launch through a previous agreement with **Scripps Networks Interactive**. The five additional channels will be available to stream starting in December. Concurrently, Hulu reached a licensing agreement with **OWN** to bring four of the network's top-rated scripted series exclusively to the platform. Speaking at an investor conference Wednesday, Discovery pres/CEO *David Zaslav* noted that he has criticized the US cable market in the past for its lack of skinny bundles and other cost-effective options. The channels are also coming to **Sling TV**. Although Discovery didn't elaborate further on the details of that deal, Zaslav noted that the company's channels have seen huge success on **DISH**. "A number of our channels were doing so well for DISH that we will get more carriage than we have today before the end of the year when that deal extends," Zaslav said. Pivoting to recent acquisitions, six months into the close of its deal to acquire Scripps, Zaslav gave the integration a huge thumbs-up. Scripps has delivered a lot of positives for Discovery, Zaslav said, with the synergies being more than Discovery thought and the drive to \$3bln in free cash flow becoming very real.

**Blockchain Battles:** Does blockchain have a future in media? A panel of experts during **Media Financial Management's** Media Outlook seminar Wednesday doesn't seem to think so. "Media is not a leader in blockchain, we're a follower. Which is both good and bad," said moderator *Richard Taub*, the managing director of **Pequan Group**. Beyond its use in cryptocurrency, blockchain is primarily used in supply chain, identity management and cybersecurity. In terms of media, it's beginning to be used in the music industry. "This can really benefit artists," said *Peter McAliney*, exec director of continuing and professional education at Montclair State Univ. "Blockchain can allow artists to better monetize their creativity without having all these intermediaries taking a bit along the way." However, blockchain in itself is inherently unstable and does not have the necessary bandwidth to support larger media companies. "I think there's very good reasons why media has been slow to adopt this, more than just 'Oh, I don't like this, it's scary,'" said *Andrew Levine*, content director of **Steeemit**, a blogging and social media platform with the most active blockchain in the world. "When they look at the bandwidth requirements, they're like I can't store more than five seconds of video on this. With a million users, we are struggling very hard to keep up with this usage. This is nothing for companies that may be in this room or larger companies."

**Choosy Customers:** When it comes to long term trends in media, it all depends on the amount of choices consumers have. "People are adding more media to their day, as opposed to replacing it," *Peter Katsingris*, **Nielsen** svp, audience insights, said during MFM's Media Outlook 2019 seminar. "Before you had all this choice, if you didn't watch it live or record it on your VCR, there was really no way to watch any of that content." Coming off the heels of the Nielsen Q1 Total Audience Report, Katsingris fully believes that location matters in terms of trends and the data supports that. "The majority of people within these markets have traditional cable services, but some more than others. It depends on the consumer and their location and what's available to them, and the choices they have to get their content," he said. In rural markets with fewer choices, trends show higher live TV usage. "All the changes that are occurring, all the choices that it brings to our consumers, it really gives them the opportunity to individualize what they're doing," Katsingris said. "I think that all this change, and all this change that's going to continue to happen I think it's going to really influence the behaviors that we're going to see."

**Staying Silent:** **Viacom** CEO *Bob Bakish* remained focused on the company's continued turnaround at an investor conference Wednesday, steering clear of any future outlooks after *Les Moonves'* departure from **CBS**. The talk was nothing new from the company's 3Q earnings call, celebrating the successes of **Paramount Pictures** and **MTV**. "There's no question that the Mountain is back," Bakish said, a reference to the Paramount logo. Talking DTC, Bakish said that Viacom has no plans to create a **Netflix**-like service. Instead, the plan is to take its niche services like **Noggin** and use partners to distribute them. Viacom is also rolling out an incremental DTC service focused on its library and ad capabilities.

**MNF's Return:** The Jets-Lions MNF opener on **ESPN** averaged 10.4mln viewers Monday night, factoring in an additional 112K on **ESPN2** and **ESPN Deportes**. The late game (Rams-Raiders) delivered 9.7mln on the flagship channel, with **ESPN2** and **Deportes** pitching in 102K more viewers. Both matches are down from a year ago, when the Saints-Vikings drew 11.5mln viewers on the three nets and the Bronco-Chargers netted 10.1mln.

**Must Haves:** **Beta Research** released its 2018 Cable Subscriber Study-Evaluation of Basic Cable Networks, ranking the nets on being a "must have" among total adults, average perceived value and being a favorite basic net among total heavy **Netflix/Hulu/Prime** viewers. Respondents rated nets on a scale of 1 to 5, 5 being a must have. **Discovery Channel** took the top spot with 41% giving it a 4 or 5, followed by **History** (40%) and **Food Network** (39%). **Disney Channel** was No. 1 in average perceived value at \$1.64, followed by **ESPN** (\$1.63) and **ID** (\$1.61). In terms of favorite basic nets among heavy Netflix, Hulu and Prime viewers, Food was first with 23%, followed by **Comedy Central** and **Syfy**, both 19%.

## Think about that for a minute...

### On The Other Hand

Commentary by Steve Effros

Lawyers, and yes, I admit to being one, long ago got used to the complaint that part of our training is to look at an issue from multiple angles and discuss it, at least in theory, from different points of view. Thus, the “on the one hand” and “on the other hand” jokes and complaints that often follow a request for an “opinion” on any given subject. But here I would like to note that this is what we’re supposed to be doing; looking at various perspectives and suggesting various approaches. That does not mean we agree with all of them, or even some of them. We’re just laying out the options.

There’s a marked difference between that and the plethora of mind-numbing commentary that is spouted today in many different spheres. The most obvious is the ability of the current resident of the White House to “tweet” something that has what appears to be diametrically opposite implications all in the same sentence or two. You know, “no collusion” for instance, and “but collusion is not a crime” all mashed together. Well, if there is “no collusion” then what is the significance of it being, or not being, a crime? But I digress. This is but one example of what appears to be a major trend toward simply saying whatever, in the speaker’s mind, a given audience wants to hear even if it’s totally out of sync with what another audience may want to hear. The answer seems to have become that you just say both things!

This is not the same as the “lawyer joke.” The lawyer is analyzing optional approaches. The prevaricator “waffles” by saying different things to make it essentially impossible to discern a real answer. Either that, or if the comments are really to two different audiences, just reach entirely opposing conclusions on the assumption, I guess, that the two audiences will never com-



pare notes! It’s gotten maddening.

A great example in our sphere is “5G”... the greatest thing since sliced bread in the field of telecommunications; the fast, rapidly growing rollout of a new technology that will provide really incredible wireless internet access everywhere! At least that’s what you will hear if you are on Wall Street or read the consumer press or are trying to determine if the telcos are really going to put the wired broadband ISPs out of business. We’re clearly done for.

But wait! Go to a technical conference or two rather than a “quarterly call” or an investment banker seminar and what do you hear? Well, it’s not quite as pretty. The technology has promise, to be sure, but there are a lot of problems as well. There have to be a lot of local antennas and a lot of local wired connections to get the signals to those antennas, and the wireless part in many cases doesn’t go very far and even if it does it may not make it through walls or even glass! The technology folks are painting a very different picture from the stock folks!

On the one hand, and on the other hand. But in this case it’s unlikely that both can prevail at the same time. For my money, I’m sticking with the more robust, established technology, thank you. Let the other folks blow the smoke and hope that their prestidigitation will keep the uninformed sufficiently distracted to not notice that they are, as is also said, speaking out of both sides of their mouths!

*Steve*

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*(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)*

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