

Cablefax Daily™

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What the Industry Reads First

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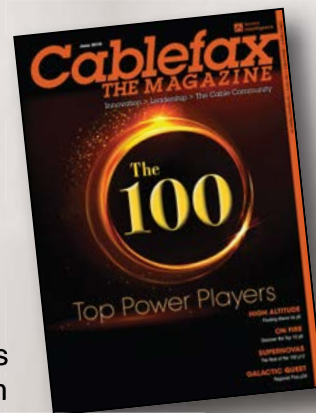
SOTU: Programming Execs Talk Future of TV Advertising

President Trump may or may not be delivering an address on Jan 29, but that didn't stop the State of the (Advertising) Union from taking place at **NAPTE Miami** on Wednesday. Ad execs from **Discovery, NBCU** and **Univision** touched on all aspects of the industry from the future of sellers to the state of pay TV. First of all, pay TV isn't going anywhere. "When people say TV is dying, if TV is dying why would you have a company like **Google** when they need to launch a new phone come to television? Television is far from dead," emphasized *Mark Marshall*, pres of advertising sales and partnerships for NBCU. However, it's clear that sellers need to adapt to how they advertise on linear TV, largely due to the rise of OTT services and streamers such as **Netflix**. "We know that as people are watching on a Netflix or streamers, they get used to not seeing as heavy as an ad load," Marshall said. That helps explain NBCU chief *Steve Burke's* comments below about NBCU's DTC offering featuring a light ad load. Chief US advertising sales officer for **Discovery** *Jon Steinlauf* concurred. "Netflix set the tone as being ad-free," he said. "There are two types of sellers: there are people who've been mostly TV and mostly digital, but in the future, they're going to be two-sport athletes." The same can be said over at Univision, where there's far more of a news focus than at Discovery. "We deal with the question of language, whether or not something has to be translated," explained *Steve Mandala*, pres of advertising sales and marketing. "Overall, we have been fortunate that 92% of our viewing is still done live, and it is something different than where are competitors are in the market. It goes to the issue of our content being as engaging as it is and the heritage that's there." The panelists agreed that advertising on linear TV looks different for news and sports audiences vs entertainment audiences. In the past few years, news audiences have only grown, and sports has held onto its market position. "Where there's been a big breakdown is entertainment, and I call it 'The Netflix Effect,'" said Steinlauf. "It's dangerous that the country is watching all this scripted entertainment with no commercials, it sets a precedent. We're trying to develop a model where the advertising makes it through in the content that we create in the real-life [unscripted] space." What's coming next remains to be seen, but all three execs are optimistic. "It's going to head to automatic, what we all call programmatic," Mandala said. "All of us welcome the time of automation growth, and I think that's why you've seen different investments that we've all made in that regard," agreed Marshall. "The pressure on the agencies to find



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It's free to enter - but you must submit your entries by January 25!

Enter at www.Cablefax100.com | Questions: Mary-Lou French at mfrench@accessintel.com

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more efficient ways of doing things is going to expedite that side of it, and for us we welcome that.”

Comcast Takeaways: Comcast's 4Q earnings offer up encouragement for the argument that video is not dead, even as it moves into a supporting role. Video sub losses came in at just 29K, better than 33K lost in 4Q17 and much better than an analyst consensus of 62K. “I think we've always felt that the television ecosystem was healthier than maybe some people thought... We had a better year in terms of subscribers than we had budgeted, and we're entering 2019 better than we had forecasted,” NBCU CEO/sr evp Comcast Corp Steve Burke said on Wednesday's earnings call. He acknowledged that it's very hard to predict the impact of vMVPDs given their newness and strategy shifts, adding that MVPD growth was definitely faster than the company expected in 2018. “It is almost certainly the case that Comcast's video base will continue to shrink, but it will just as inevitably continue to take share from satellite on the way down,” analyst Craig Moffett said in a note to clients. “Still, with video shrinking and broadband growing, Comcast is organically pivoting away from video with little or no disruption to the business. Put simply, video matters less and less.” And broadband continues to shine, with revenue growth of 10.1% to \$4.4bln with 351K net additions. “It's the 13th year in a row of delivering over 1mln net additions. Going into '19, we feel the market continues to grow... the overall market penetration of 80%, there's room for growth there. You look at our market penetration of 47% and there's absolutely room for growth there,” said Comcast Cable CEO Dave Watson. Evidence of consumers' hunger for broadband can be seen in Comcast's customers' media monthly data usage. It was over 170 gigabits per month for the second half of 2018, up 30% YOY. Next quarter, Xfinity Mobile will be reported as part of the cable segment. Comcast added 227K wireless customers in the quarter, with management continuing to paint it as a nice component of the bundle. Cable operations revenue was up 5.2% to \$14.1bln, while NBCU revenue was up 7.1% to \$9.4bln. Overall, company revenue rose 26% to \$27.85bln, with net income at \$2.5bln (down from \$15bln a year ago, which included a one-time \$12.7bln tax benefit).

NBCU DTC Play: Comcast management indicated next year's NBCU streaming launch will have a minimal impact on financials. “We're taking some of the most popular shows on television that we produce and we're going to offer them for free to 80% of the people in the United States who are multichannel customers for free and to Sky customers in Europe” and for a fee to people not part of the pay TV ecosystem, NBCU CEO/sr evp Comcast Corp Steve Burke said. It's one of the most visible fruits of the Sky acquisition, with Comcast using the UK company's NOW TV OTT system to launch the product. “We think this approach has a much better chance to get scale quickly,” Burke said, touting the huge demand for digital advertising that it could help meet (though he also said the service would have “a very light ad load”). “We think it's highly likely [the quick scale] will reduce the amount of investment we need

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DR. FRANK LUNTZ
National Pollster

to make coming into the business and also accelerate our ability to breakeven.”

FCC Meeting, Not Voting: The FCC's Jan 30 open meeting will go on despite the ongoing government shutdown, but there will be no votes on any of the tentative agenda items that were released Jan 3. Instead, the meeting will be announcements only. That could mean commissioners could talk about pretty much anything, but they just can't act on any official business. Under the Communications Act, there's a statutory obligation to hold a monthly meeting—but it doesn't have to be a physical one. If the lapse in appropriations causing the partial shutdown continues through Jan 29, the meeting will take place via conference call. If the lapse ends prior to Jan 29 and the FCC resume normal operations, the meeting will be held as usual at the agency's 12th St HQ. Before the FCC suspended most operations on Jan 3, chmn *Ajit Pai* released a tentative agenda for January that included a report & order on ending Connect America Fund Phase 1 support and transitioning to CAF Phase II support for winning auction bidders.

Outer Space: In case you missed it, **Viacom** became the latest in traditional media to dip its toes into DTC with a \$340mln cash purchase of ad-supported **Pluto TV**. The free service has more than 100 channels and reports 12mln monthly active users. Viacom hopes to use the service's user base to gain subs for its own products, including **Noggin** and **Comedy Central Now**. In the past few years, Viacom has pulled back on its licensing of content to other streamers, with Pluto to be the beneficiary. Pluto will act as an independent subsidiary of Viacom, with CEO and co-founder *Tom Ryan* to continue as CEO. The deal is expected to close later this quarter.

Streaming Price Wars: **Hulu** is lowering the price on its basic, ad-supported monthly service to \$5.99 from \$7.99. It's a number the streaming service has dabbled with before. In 2016, it lowered the rate from \$7.99 to \$5.99, but applied it only to new subs and increased it to \$7.99 after 12 months. **TV Answerman** noted that for several months in 2018, Hulu lowered its base price to the \$5.99 price point. The latest price cut, which will apply to new and existing subs, seems an obvious reaction to **Netflix's** price hike. Traditional pay TV operators who understand the expense of offering linear networks are likely not surprised to see that Hulu is raising the price of its live TV offering by \$5 to \$45 starting Feb 26.

Pink Slips: **Verizon** is laying off 7% of staff (approx 800) in its media group, the *WSJ* reported. Formerly called **Oath**, the group includes **Yahoo**, **AOL** and **HuffPost**.

OTT Expands: It is likely that by 2024, 310mln households worldwide will have more than 586mln OTT video service subscriptions. The report comes from **Parks Associates**, who also estimate that approx 200mln households had at least one OTT service at home at the end of 2018. The research firm also found that **Roku** is the streaming media device supporting the most OTT services (66%) in the US, and 70% of broadband households in the US have at least one OTT service.

Whistle While You Work: The global sports and entertainment media brand **Whistle** acquired **New Form**, a digital entertainment studio based in LA. The deal comes after a number of recent content announcements from both companies, including Whistle's first docuseries for **Quibi** "Benedict Men" and New Form's daily docuseries for **Facebook Watch** "365 Days of Love." New Form's current stakeholders—which include **Discovery**, **ITV**, *Ron Howard*, *Brian Grazer*, *Jim Wiatt*, *Craig Jacobson*, *Ed Wilson* and *Michael Rosenberg*—became shareholders of Whistle through the transaction.

YouTube Goes Nationwide: **YouTube TV** is now nationwide after it launched in 95 markets that went live Wednesday. The service is now available in 98% of US households, and with the expansion the service now provides complete local affiliate coverage from the four largest broadcasters in over 90% of the markets.

People: **Discovery** tapped *Avi Saxena* as its CTO for DTC. He comes over from **Amazon**, where he served as vp, technology for Amazon Marketplace. -- **C2HR** (formerly CTHRA) named *Tom Tooker*, vp of HR for **A+E Networks**, as the org's president. In other appointments, *Michele Parks*, vp, HR service delivery for **Cox**, is its vp/pres-elect, *Dave Crossen* of **NBC** broadcast and content distribution was named secretary, and *Judith Mills* from **Mediacom** will be treasurer.

When Brands Play on Social: A fun tweet was sent by **HBO** Wednesday declaring that it's cold and asking users to send a screenshot of the weather where they're at. In return, HBO recommended what they should watch (HBO shows, natch). **Hulu** got into mix tweeting Santa Monica's 66 degrees with the line, "This is considered cold, right?" HBO's response: "Curb Your Enthusiasm, Hulu Hoop." Not quite as exciting as **Netflix** urging people on **Twitter** to watch **BBC America's** "Killing Eve" even though it's on Hulu, but another example of these content kings having some fun with their fans.

Editor's Note: Don't forget! **Cablefax 100 nominations** are due Friday. We'll rank the top professionals in the media, cable & broadband industry in our annual, must-read power list.

Think about that for a minute...

Fired Up

Commentary by Steve Effros

A brief news flash the other day really got my attention; there was a fire in the building housing the Fox, MSNBC and C-SPAN studios up on Capitol Hill. All three organizations were affected. Apparently the electrical fire started in one of the studios. The report, unfortunately, didn't say which one. Now I've been in the C-SPAN offices and studios up on the Hill many times, and a lot of good friends work there. Naturally, I was concerned. After all, aside from the potential for folks getting hurt (there were no reports of that) I have long characterized C-SPAN as the outstanding gem of the cable industry. I didn't want it damaged in any way.

Luckily, the fire was not in the C-SPAN studios, but they did suffer from the acrid after-effects of the fire. Fox and MSNBC had to move to alternative studios in other locations in DC to air their Sunday shows. But damages were apparently not that severe, and C-SPAN resumed normal operations within hours.

While this was obviously an unfortunate event, it did get me focused, once again, on the uniqueness of C-SPAN and the fact that the cable industry was, and is, directly responsible for the creation and maintenance of what has now become an undeniable national asset. We need to remind ourselves every once in a while about how unique the creation of C-SPAN really was.

With a new industry, cable, just breaking onto the scene in a big way, we could have solely focused on delivering "sex, drugs and rock and roll" as the saying goes—just highlighted all the new entertainment and sports we were suddenly making available to American homes. But the power of bringing diversity to viewers was more than that, and when Brian Lamb



started haranguing all the major players in the industry with the idea of simply getting cameras on the floor of the House, and later the Senate, to let people watch, without journalistic interruption, the goings-on of our government, it resonated.

Make no mistake, it wasn't easy. Getting Congress to agree to that level of transparency took years. So did lining up all the cable folks to finance it. But it got done. A window into the American legislative process was created and it was done with ingenuity and creativity. Even the "open phones" at the time were a rarity.

C-SPAN is a gem. It's a gift from the cable industry to the country. And interestingly, we get very little credit for it. I say that only because along with the news reports about the fire the other day, I noticed some headlines about Microsoft getting involved in low-cost housing in Seattle, and Google getting attention for announcing that it was going to use locally produced solar power in its server farms in Tennessee. Both good things. Both companies deserve to be given credit for moving in the direction of "giving back" to the community. It's a trend that I think you will see a lot more of in the near future as industry begins to understand that our current political gridlock is going to require that we get needed things done in a different way.

I just want to make sure folks remember that our industry has been doing that for a long time, and remind us all that we have to make sure we continue to support and promote it. It's true, I get all fired up about this stuff, but that just shows you what one little spark can do!

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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