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No Fear: Netflix Seems Unfazed by Looming Disney+ Threat

With every action comes a reaction, and all eyes have been on **Netflix** in the 24 hours since the company held its first earnings call following **Disney's** investor day. But if there's one person who isn't concerned about the introduction of Disney+, it's Netflix founder/CEO *Reed Hastings*. "There's a ton of competition out there, and Disney and Apple add a little bit more, but frankly, I doubt it will be material," Hastings said during the company's Q1 earnings call. In its letter to shareholders, Netflix said it only controlled 2.4% of global downstream mobile internet traffic. It was easily beaten out by other global powerhouses like **YouTube** (37%), **Facebook** (8.4%) and **Instagram** (5.7%). Netflix, however, still brought in revenue of $4.5bln (+22% YOY). And while Disney put forth a strong showing for its streaming service, it may not actually have as much impact on Netflix and its other SVOD competitors. "For starters, we see Disney and Netflix providing different consumer propositions as Netflix is essentially a Blockbuster store in the cloud with a mix of original and off-network all-you-can-eat, commercial-free content," **MoffettNathanson** said in a research note. "Disney is targeting families and a passionate base of fans of its well-branded, highly recognized, quality content." That doesn't mean Netflix should shrug off all concerns. The company added more than 9.6mln subscribers in the quarter, bringing its total to 148.9mln total paying members, but its projections for 2Q19 fall far below expectations. The Netflix team only expects to add 5mln new members in 2Q, an 8 point drop YOY. That drop in growth is most likely a response to Netflix's upcoming May price increase, bringing the cost of its basic plan up to $8.99/month. For now, **UBS** agreed that it shouldn't distract from Netflix's long-term potential. "We see NFLX as a top pick as it capitalizes on the opportunity to be the global leader in streaming media & the competitive moat around its business widens (via a mix of content spend, marketing & scale)," UBS said in a research note. Still, investors will be watching that number closely as Netflix prepares to lose some beloved content when Disney pulls its collection off the service, not to mention that **Discovery** will take back control of its nature programming so it can place it on its natural history streamer with the **BBC**. Other potential unknowns include **WarnerMedia's** three-tiered service, expected to arrive by the end of 2019. "We've expected this decline of second window content, been ready for it, anticipating it," Hastings said. "In fact, we're eager to be able to have more and more of our money, be able to do spectacular new titles." When it comes to pricing, Disney's low annual

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price point of $69.99 in the US could place pressure on Netflix to keep prices low even with its growing content costs. But until Disney's service is released in its full form, it's difficult to describe one service as equivalent to the other. Until then, chief product officer *Greg Peters* said the Netflix team will keep asking the same question: "How do we create more value, how do we pick the right content and present it in the right way that's compelling and differentiating for our members."

Spoof No More: **T-Mobile** and **Comcast** are launching cross-network robocalling protection built on STIR/SHAKEN standards, with T-Mobile launching now and Comcast Xfinity Voice home phone service launching later this year. Last month, Comcast announced it had successfully tested a STIR/SHAKEN effort with **AT&T**. Meanwhile, T-Mobile also announced that Caller Verified, its implementation of STIR/SHAKEN, is now available across ten smartphones.

Security Threat: **FCC** chmn *Ajit Pai* is taking a stand against **China Mobile USA's** application to provide telecommunications services in the US. Delaware-based China Mobile USA first filed its application in September 2011, but has faced opposition due to being ultimately owned and controlled by the Chinese government. In July, federal agencies recommended that the Commission deny China Mobile USA's application due to national security and law enforcement risks. The Commission is scheduled to vote on an order that would deny China Mobile USA's application at its May open meeting. The draft order circulated by Pai would find that China Mobile USA is vulnerable to exploitation, influence and control by the Chinese government. "Safeguarding our communications networks is critical to our national security," Pai said in a statement Wednesday. "Therefore, I do not believe that approving it would be in the public interest."

MVPs: **Nat Geo** and **The Weather Channel** are the two most valuable networks to viewers (57% each), according to a study from **Beta Research**. **Animal Planet** was a close second, with 56% of network viewers describing the net as valuable. **Fox News** and **History** come in next at 52% each, followed by **HGTV**, **ID** and **CNN** all at 51%. The average broadcast network is at 39%. The same study found that 52% of network viewers over age 18 described ID as their favorite network, followed by HGTV (51%) and Animal Planet (48%). In terms of advertising, 73% of **Food Network** and **CNBC** viewers aged 25-34 said they were more likely to by products advertised on the nets, followed by **OWN** at 71%, **Nickelodeon** at 70% and Nat Geo, Animal Planet and **ESPN** all at 59%.

Time's Up: Bidding ended Wednesday in the clock phase of **FCC** Auction 102, the spectrum auction that includes the 24 GHz band. Gross proceeds in the clock phase reached just over $1.988bln, and bidders won more than 99.8% of available licenses. The assignment phase bidding begins May 3. Bidders who won at least one generic block during the clock phase are eligible to participate in the assignment phase, during which bidders can bid for specific blocks.

FreeWheeling A+E: **Comcast's FreeWheel** and **A+E Networks** are partnering up to pilot a unified ad decisioning engine. The tech aims to let buyers and sellers transact across both direct sold and programmatic advertising demand. A+E Nets is one of the first media companies to embrace programmatic platforms to offer greater addressability and accessibility to advertisers, and FreeWheel plans to expand its unified programmatic pilot program to other clients throughout the year.

FCC Nominations: The **FCC** is rechartering the Communications Security, Reliability and Interoperability Council (CSRIC) for a seventh two-year term. The FCC released a public notice seeking nominations for membership and a chairperson for the committee. All nominations are due by May 8.

Philo Connects: **Philo** announced a connected TV ad platform with a roster of sales partners as part of its drive to reach advertisers looking for a brand-safe programming solution. Philo will work with partners including **Comcast's FreeWheel** for ad management, and other partners such as **Roku, Premion, SpotX, Telaria, Xandr** and **Verizon Media** to monetize its live and VOD vMVPD inventory. The ad platform aims to remove friction and add automation to the ad-buying process, simplify the process to plan, execute and report on delivery, and execute effective audiences and behavioral targeting.

Blockchain for Business Support: **CSG** is all about blockchain, opening a dedicated lab to adopt blockchain technology in the wholesale business support systems industry. The lab will explore new blockchain apps, especially in areas like trading, routing, fraud and partner management. CSG will look at identifying ways blockchain can be leveraged to facilitate cost-efficient wholesale settlement between carriers and their partners. Initial research will focus on five key areas: agreement blockchain, event record blockchain, financial transaction blockchain, account blockchain and financial settlement blockchain. [*Editor's Note: Blockchain will be one of the areas we explore during the Cablefax Leaders Retreat on April 28-30 in Key Largo, FL. Only a few slots left. More info here: www.cablefax.com/event/CLR19*]

Public Safety: The **FCC's Public Safety and Homeland Security Bureau** sent out a public notice to remind participating wireless providers that the enhanced geo-targeting deadline for Wireless Emergency Alerts is Nov 30. CMS providers must be able to deliver WEA messages to 100% of the target area with no more than one-tenth of a mile overshoot to new mobile devices and existing devices capable of being upgraded.

On the Circuit: **WICT** announced its call for nominations for the 2019 Woman of the Year and Women to Watch honorees. For the Woman of the Year Award, WICT will choose an honoree from one programmer and one operator who have made significant contributions to the industry throughout their careers. The Women to Watch Award will see one honoree each chosen from a programmer, operator and an industry supplier. The awards will be presented Sept 16 in NYC during the WICT Leadership Conference, alongside the industry's Diversity Week. The deadline for nominations is June 14 at 5pm.

Programming: **WE tv** renewed its exclusive distribution agreement with unscripted distributor **Off the Fence**. The partnership will see Off the Fence distributing more than 1,200 hours of content internationally and domestically, with 2,000 hours of second window linear TV. -- **Game Show Network's** new series "Best Ever Trivia Show," hosted by "The View's" *Sherri Shepherd*, premieres June 10 at 4pm. The show features three contestants facing off against three trivia experts, and the winning player goes head-to-head in the final round against the winning expert. -- **MSG Networks** will be the television home for the New York Streets 2019 home games this season. The team is a member of the National Arena League, a professional indoor football league formed in 2017. The 2019 expansion New York Streets opened their inaugural season with a victory over the Jacksonville Sharks last Saturday. Home coverage kicks off April 20 at 7pm when the team takes on the Orlando Predators. -- The new season of "Inside the Actors Studio" is coming to **Ovation TV** on October 13 at 10pm. A roster of multiple hosts that includes *Alec Baldwin* and *Henry Winkler* will replace long-time host *James Lipton*. -- **Showtime** acquired the rights to the doc "Quiet Storm: The Ron Artest story" based on the life of the **NBA** player. It'll premiere on the net during Mental Health Awareness Month on May 31 at 10pm.

People: **Netflix** CMO *Kelly Bennett* is retiring this year, ending a seven-year run with the company. The company thanked him for his service in its Q1 earnings shareholder letter, calling him a "key contributor" to its transformation into a global service with original programming. Chief content officer *Ted Sarandos* is leading the search for his replacement, who will report to him. -- **Discovery Channel** upped *Joseph Boyle* to svp, production and development. He most recently served as vp, production and development. Before joining the Discovery family, Boyle served as a showrunner, overseeing productions for Discovery, **TLC**, **Animal Planet**, **Science Channel**, **History** and **Syfy**.

Think about that for a minute...

Don't Blink

Commentary by Steve Effros

The first page headline in The Washington Post was laughable as I learned that "Cord cutters' dreams dashed as streaming sector splinters." There were two obviously skewed story lines in one headline! The first, one we have been talking about here for years, was that those "dreams" of breaking up the "cable monopoly" and forcing "a la carte" pricing of programming would be a boon to consumers.

Come on. As Craig Moffett was quoted in the article, "every economist in the world tried to warn that the outcome of that system would be higher prices and less choice. And lo and behold, that's where we landed." We're shocked, shocked! But then the gist of the article goes further suggesting that the reason things went awry is that program producers have "splintered" and are selling their products in different, exclusive packages! Again, what can we say but "...we told you so!" This whole scenario has been clear and obvious to most of us for many years, and we have been loudly warning about it. There were just a few folks who weren't willing to listen. Tim Wu (also the creator of the bumper sticker phrase "net neutrality") was one of them, and here's the remarkable thing he had to say.

According to the Post, Wu argues that the halcyon era is ending, one in which disruption in the entertainment industry unleashed opportunities for better consumer deals." By that he meant folks could cancel the cable package and "carefully" add streaming services of only those things they wanted to see. Somehow this was going to work out wonderfully for consumers who could buy a la carte for less than they were paying for the buffet. Basic economics tells you that's not likely to happen, but Tim is angry about it.

"Everything is about funding, a way to make people pay more money," Wu said. "The incentives are to have streaming be as bad a deal as cable already was."

Here's the problem; this really does reflect Wu's thinking, and that of a lot of other folks who seem to have lost sight of some basic realities. Let me recount some of them; Program creators are in the business not only to be creative, but to make a profit. Infrastructure builders, like cable operators, are also in the business to make money, and the folks who finance all that capital expense expect to be repaid with a good return on their investment.

The theory behind forcing more and more competition does not, as Tim might argue, result in lower "competitive" prices when cable has to pay for the product it delivers. Instead it results in higher prices as all the providers bid up the price of the creative product. Look, for instance, at the price of sports packages. Did they go down or astronomically up when more and more competitors bid for the right to show the games?

This, in turn, leads to ever more expensive programming costs. Look at how much Netflix has to pay for original programming versus the old cost curve that HBO had. Look at $200 million ball players and $30 million a year Quarterbacks. And rate regulation by the government of both telephone and cable, when tried, resulted in higher fees, not lower! The rules are not allowed to be confiscatory.

So I'm not really sure when Tim thought we were experiencing the "halcyon days" of consumer benefit other than a short period when unprofitable "loss leader" rates were offered. Those are going now. Don't blink.

Steve

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