

Cablefax Daily™

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What the Industry Reads First

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Big Battles: How Niche Services Take on OTT Giants

It's definitely hard to compete against the **Netflix** and **Hulus** of the world, but niche streamers are carving out their own, well, niche, in the industry. *Evan Shapiro*, current pres of **National Lampoon** and former overseer of **Seeso**, the shuttered OTT comedy streaming service from **NBCU**, believes a successful OTT launch hinges on the consumer base. "When we started on Seeso, we decided to go after a consumer that was not subscribing to the typical ecosystem," Shapiro said at **24i's** OTT Day in NYC on Wednesday. "In the broader areas, you are literally competing against Netflix and Hulu and **Amazon**, but by this time next year you'll be competing against **Disney** and **Warner** and **Apple**. I would argue that we were not niche enough as a streaming service. If the niche is passionate enough, there's a number of consumers at which your business makes sense, but only if you can find the content at a cost that works." **FloSports** has planted its flag in niche sports, seeking out passionate fans. "We started off by recognizing there's only certain sports fans that are serviced by **ESPN** and the big players. ESPN has been known to play favorites in terms of what leagues it covers in sports. We're very opportunistic in finding those fanbases that are large, but not being served by traditional media," explained *Jason Byrne*, vp, software development. "We have a very passionate audience. We don't have a property that's just FloSports, unless you just want to learn about our corporate information. These are people who are engaged so we get personalities in these sports who speak to that passion, and for us that's where we found our audience. With that said, we couldn't go out and spend \$300-500K on a production like the major networks do, so we have to figure out how to make our production scale match that market." *Ryan Chanatry*, gm of **Topic** (a division of **First Look Media**), is gearing up to launch Topic's SVOD towards the end of this year, but faces the unique challenge in that Topic isn't planning to gear towards a specific genre niche. "We're going after people who are very interested in the world, but are also big entertainment lovers," said Chanatry. "We're not going after the person who watched *Adam Sandler's* movie this weekend on Netflix. We're going after the person who really wants a curated experience of things that hang together, not on a genre. We do think there's a way to present people with stuff that we love and have gone around the world to find that has slipped through the cracks." Since niche streamers don't have the massive audiences like Hulu and Netflix, some of them have had to get creative with acquisition and advertising. For National Lampoon, its number one acquisition tool is **Face-**

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book. FloSports also relies on social media, and tries to develop relationships with its consumers before they become paid subscribers. The streamer killed its ad sales team a few years ago, but Byrne says the company is in the process of ramping it back up. “For sports there’s natural gaps in a game. There’s not a lot of customers who care about watching an empty wrestling mat, so we might as well fill [the gaps] and monetize that,” he said. It’s also important that the ads match the content on the streamers. “Having a clear mission also dictates some of the revenue sources you have there. If you’re catering to a certain kind of consumer, they’re going to be less likely to enjoy an advertising-based experience. Are you really creating a good marketing experience for your customers? Half of the views of advertising online are fraud. On TV everyone’s skipping the ads. We as an industry haven’t necessarily solved that,” said Shapiro. Christian streamer **Pure Flix** faces its own unique challenge in that all ad content needs to be deemed family friendly and appropriate for the company’s values. That’s why it’s chosen to go with a subscription model. “From an AVOD perspective, we’ve looked at it obviously, but the challenges from our side is our mission,” said *Mark Beckwith*, evp, business development, Pure Flix. “It’s not just kids, it’s adults and having this environment and making sure you can have an ad environment that’s appropriate to that is a challenge right now.”

Fuse to Emerge from Chapter 11: **Fuse Media** said it’ll emerge from Chapter 11 in the coming weeks, with the company’s plan approved at a hearing in Delaware this week. Fuse filed for voluntary Chapter 11 protection in April as it sought to reduce its secured debt by approximately \$200mln. Separately, Fuse entered into a distribution deal with **T-Mobile** that will mean Fuse and **FM** linear networks will continue to be available on **TVision Home**. The company also recently reaffirmed its partnership with **AT&T** and **DirectTV**. Fuse lost carriage in January with **Comcast** and **Verizon**.

100% Chance of Weather Channel on Verizon: After more than four years, **Verizon** is bringing back **The Weather Channel** beginning June 24. The Weather Channel will join the Fios TV app later this fall. Verizon dropped Weather Channel in March 2015 when their contract expired and added **AccuWeather**. AccuWeather will remain on Fios. As for the change in Weather, a warmer front seemed to move in last year when *Byron Allen’s Entertainment Studios* purchased the network. It was especially important to the ESN team to get Verizon on board given that it was the first MVPD to launch ESN’s suite of channels, which include Justice Central, Cars.TV, Comedy.TV. The Weather deal was part of a renewal of ESN portfolio. Allen recently acquired an equity stake in the **Fox RSNs** that Sinclair is purchasing from **Disney**.

AT&T Cries Foul on Retrans Negotiations: In a heavily redacted **FCC** complaint, AT&T alleges that nine different broadcast station owners, each seemingly managed and controlled by **Sinclair** through a shared services agreement, have failed to negotiate retrans consent in good faith. The dispute has resulted in blackouts of 20 stations in 20 cities for **Di-**

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recTV, U-verse and/or **DirecTV Now** customers. The blackouts began May 30 (except for three stations which went dark June 10). AT&T contends the stations groups violated good faith rules by refusing to engage in any negotiations before nearly all their stations went dark. Sinclair didn't return requests for comments. In 2016, Sinclair agreed to pay \$9.5mln to settle FCC claims of improper joint negotiation of retrans consent agreements. It did not admit any liability. The provision to negotiate retrans consent in good faith is part of STELAR legislation that expires this year. Broadcasters often note that the FCC has only found one good faith retrans violation, and it was against an MVPD. Station groups named in AT&T's complaint are **Deerfield Media**, **GoCom Media** of Illinois, **Howard Stirk Holdings**, **Mercury Broadcast**, **MPS Media**, **Nashville License Holdings**, **Roberts Media**, **Second Generation of Iowa** and **Waitt Broadcasting**.

Probing Children's Privacy on YouTube: *The Washington Post* reports that the **FTC** is in the "late stages" of an investigation into **YouTube** for its handling of children's videos. Sen **Ed Markey** (D-MA) said such a probe is long overdue and pledged to introduce legislation that will "combat online design features that coerce children and create bad habits, commercialization and marketing that manipulate kids and push them into consumer culture."

Charter's NY1 Hit with Discrimination Suit: Five **NY1** anchorwomen have sued the network, alleging age and gender discrimination. The women claim that when parent company **Charter** took control of the news net, it re-vamped and reduced air time for older women. A Charter spokesperson told the *NY Times* that more than half NY1's on-air talent is female and over 40. "We take these allegations seriously and as we complete our thorough review, we have not found any merit to them. NY1 is a respectful and fair workplace and we're committed to providing a work environment in which all our employees are valued and empowered," Charter said. A Charter spokesperson countered several claims, including that **Roma Torre** had lost air time. "Roma is the Anchor of 'Live at Noon,' that hasn't changed at all. In recent years, we've added more live content at different hours, so it's possible that viewers see less of her face in the afternoon, but the content production hasn't decreased," the spokesperson told **CFX**. "The show was built around Roma as the anchor, underscoring her importance and prominence at NY1."

IoT Cybersecurity Act Headed to Senate Floor: Security was top of mind for the **Senate Homeland Committee** Wednesday, with it giving the go-ahead to legislation that will improve the cybersecurity of internet-connected devices. The Internet of Things (IoT) Cybersecurity Improvement Act of 2019 would require that devices purchased by the US government meet certain minimum security requirements. The bill as passed today would require the **National Institute of Standards and Technology** to issue recommendations on secure deployment, identity management, patching and configuration management of IoT devices.

GCI Working with Ericsson on 5G: **GCI** and **Ericsson** are teaming up this summer to build the nation's northernmost 5G network in Anchorage. Ericsson's 3GPP standards-based 5G New Radio hardware and software will be deployed this summer to 82 macro cell sites across area, with the project slated to be complete in 2020 and initial 5G service slated for the first half of the year. GCI's cable plant already offers 1Gig cable modem service to 95% of homes in Anchorage. Later this year, GCI will announce the move to an all IP cable plant in Anchorage and other Alaska cities. "Our teams are working to integrate GCI's wireless network and our metro fiber/cable plant network to fully enable microcell, managed Wi-Fi and other technologies," said CEO **Ron Duncan**.

Cheddar Business Launches on Optimum: **Altice USA** is launching **Cheddar Business** on its Optimum TV lineups in the NY tri-state area this week. Cheddar's streaming app was already available on Altice One, but now its live news network will also be able to be accessed on Optimum's Channel 84. The expansion comes shortly after Altice announced its acquisition of Cheddar and it won't be the last. The network is expected to launch later this summer on **Suddenlink**.

In Demand: **Discovery Channel** came in as the top ranked major basic cable network on high interest among non-subscribers to cable TV/cord-cutters, according to a report from **Beta Research**. On a percent rating interest of a 4 or 5 on a 5-point scale, the net topped out with 42%, followed by **History** at 39% and **Food Network** at 37%. Over on the digital side, **FX Movie Channel** came out on top with 43%, followed by **Cooking Channel** at 42%, **Discovery Life** at 38% and **Hallmark Movies & Mysteries** with 36%. The research also looked at the top ranked emerging networks and digital basic networks that had special appeal and the highest indices on interest in dropping cable TV and viewing TV on a smartphone or tablet. It found 35% of cable subscribers were extremely or very interested in dropping cable TV and watching only the TV programming available on their tablet or computer. **Revolt TV** came in highest for emerging networks, with an index of 215, followed by **MAVTV** (211) and **Nick Music** (210). For digital basic/mid-sized nets, **MotorTrend** took the top spot (196), then **Fox Business Network** (191) and **Ovation** (187). The indices were measured by taking the percent of adults with high interest in network (4/5) who were extremely/very interested in dropping cable divided by the percent of total adults who were extremely/very interested in dropping cable.

Think about that for a minute...

Seeing the Light

Commentary by Steve Effros

There was a remarkable picture in the papers the other day relating to the marches and rallies in Hong Kong protesting proposed legislation that would allow extradition of Hong Kong residents to China. It's been hard to miss the many pictures of the massive crowds that have spontaneously gathered in downtown Hong Kong. We're not talking about hundreds of thousands of people, we're talking about a million, or possibly close to two million people in a jurisdiction that only has 7.5 million residents!

As is usually the case, most of the folks who came out for the first and second days of demonstrations were young. But by the third major demonstration day, a significant number of older folks, particularly mothers of the young demonstrators showed up in solidarity. That's where the remarkable picture comes in. The demonstration was at night. It was a "candlelight" vigil. Go find the AP photograph. One thing that was very noticeable was that there were no candles! Lots of lights, but no candles. Every one of those mothers was holding up a cell phone with the "flashlight" on! This is the new "candlelight vigil" and it once again reminds us of how much the technology we have created has changed the world around us.

I had to chuckle that one of the mothers right in the front of the picture has a cell phone, this is Hong Kong, remember, with Charlie Brown of Peanuts fame plastered on the back! If there was ever a reminder of how "global" we have become, that was it.

But the point I wanted to make here is one that I have been harping on for a long time, and I'm glad to note that some major voices are now sending out the same message; in the vernacular of an old ceramics store,



"we broke it, so we have to be part of the effort to fix it!"

I'm not suggesting that we in the "tech" industry intentionally "broke" anything. But what we have created has certainly changed the world in ways we never imagined. Tim Cook, Apple's CEO, gave a commencement speech at Stanford the other day. The headline on CNBC said it succinctly: "Apple CEO Tim Cook: Technology Companies Need to Take Responsibility for Chaos they Create."

To be sure, Cook was aiming his criticism at his competitors. Apple is trying to distinguish itself from Google, Facebook, et. al., particularly in the area of privacy. But the message he conveyed went beyond that. It's the point that even if we didn't intend to bend all the communications norms that have been stressed to the breaking point, it's still in part our responsibility to think of ways and act in ways that will attempt to respond to that stress and see if we can ease it.

Cook was explicit; "If we accept as normal and unavoidable that everything in our lives can be aggregated, sold and even leaked in the event of a hack, then we lose so much more than data. We lose the freedom to be human."

This is not idle talk. This is the base of the discussion that is coming about whether the government should get involved in limiting what data can be aggregated, bought or sold. While the cable industry is not the "first line" on this issue, the "edge providers" are, we are certainly part of the ecosystem that has created the problem. We would be remiss not to be actively involved in seeking and forging the solutions.

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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