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What the Industry Reads First

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Mixed Bag: HBO Max Impresses, But Leaves Plenty of Questions Unanswered

Analysts left the grand reveal of **HBO Max** Tuesday with a mixed bag of emotions: the product looked really great, but will it actually be good for **AT&T's** business? While we've heard from every new streaming service that it won't be just like the others, HBO Max actually did offer something of an upgrade over other offerings in terms of user interface and features. Family members can create a co-viewing profile that will offer specific recommendations for shows they might want to watch together. And the algorithms used to recommend shows will have a human element. A "Recommended by Humans" feature, unveiled first on HBO, will have well-known creators curating lists of shows and episodes they've enjoyed, while another section will showcase recommendations based on shows previously watched. The entertainment hub will also introduce fans to podcasts that act as complements to their favorite shows and the most popular clips of the week. "These are not only better ways to sample shows and discover content but also help ease consumption across different kinds of devices instead of having one form of content across all services," **Barclays** said in a note. And then there's the price point. \$15/month comes in at the same price as the standalone HBO product, a win for diehard fans. HBO Max is also following in the footsteps of its **Apple TV+** and **Disney+** cousins by offering its service for free to certain AT&T customers. AT&T wireless customers who already subscribe to HBO through **AT&T TV** or **U-Verse** will receive a free one-year subscription to HBO Max. Also eligible for free HBO Max are those subscribing to the unlimited mobile package, the 1-gig broadband package and the premium TV package, so long as they're an AT&T connectivity subscriber, according to **Otter Media** CEO *Tony Goncalves*. And AT&T is introducing three additional wireless plans—Unlimited Starter, Unlimited Extra and Unlimited Elite—with the Elite bundle including HBO and access to HBO Max at launch. Where that price point could turn discussions sour is in AT&T's negotiations with existing distributors, according to **Evercore ISI's** *Vijay Jayant*. "Distributors will want a reduced wholesale price for HBO (which has been devalued by the launch of a superior product at the same price point), while T will try to persuade distributors to offer HBO Max (with a smaller revenue share to the distributor), or take the risk of customers canceling their distributor-delivered HBO in favor of buying HBO Max directly," Jayant said in a note. **WarnerMedia** chief and newly-minted AT&T COO *John Stankey* said during the HBO



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Max unveiling that AT&T is betting on distributors wanting to keep customers engaged on their platforms, and AT&T is offering up viewership data from Xandr and flexible ways to bundle HBO Max into a distributor's packages as ways to sweeten the deal. "We'll also offer it for them in non-pay TV constructs if they wish to attach it to a broad-band product and sell it as a standalone... they can do that on a wholesale side and they participate on recurring revenues as a result of that," Stankey said. "In many respects, that's a lot better than other platforms that they're distributing today on their set-top boxes that they only get bounties for." Analysts also criticized the lack of details surrounding the launch of HBO Max internationally as well as what the AVOD product will look like when it's unveiled in 2021. AT&T also hinted at plans to incorporate live TV bundles into HBO Max with Stankey saying that over time, the video offerings would come together in one universal platform. But again, the audience was left with unanswered questions on the when and how of it all. Barclays said due to those uncertainties, it doesn't believe the end vision for the product has been fully crystallized, increasing the chances of a non-linear execution path.

Apple TV+ Free With Student Apple Music Subscription: Ahead of Friday's Apple TV+ launch, the company announced its first bundle deal for the streamer. Apple Music subs on the student plan (\$4.99/month) will have Apple TV+ at no additional charge. The announcement was made on Hailee Steinfeld's Instagram page and first spotted by 9to5Mac. Steinfeld stars in Apple TV+'s upcoming series "Dickinson."

Hopkins to Head Distribution for ViacomCBS: Viacom and CBS continue to prepare for the pending merger, this time announcing senior leadership across the combined company's revenue lines. Tackling distribution for the new company will be Ray Hopkins, current pres, television networks distribution at CBS. Tom Gorke, Viacom's evp, head of distribution & business development, will transition out of his role once the merger closes. Also exiting is Viacom ad sales chief Sean Moran, with CBS' Jo Ann Ross tapped as pres, chief advertising revenue officer. "Both Sean and Tom are impassioned advocates for our brands, content and our people, and have played critical roles in the turnaround and transformation of our company over the past few years," ViacomCBS CEO Bob Bakish wrote in a memo thanking the two for their years of service. John Halley, current evp and COO for ad solutions for Viacom, will serve as COO, ad revenue and evp, advanced marketing solutions at ViacomCBS. Armand Nuñez, pres and CEO, CBS global distribution and chief content licensing officer, will now be chmn, global distribution and chief content licensing officer for ViacomCBS. Dan Cohen, pres of worldwide home entertainment & television distribution for Paramount, will report to Nuñez as pres, global content licensing. Pam Kaufman, current pres for Viacom/Nickelodeon global consumer products, will keep the same title for ViacomCBS. David Lynn, pres/CEO of

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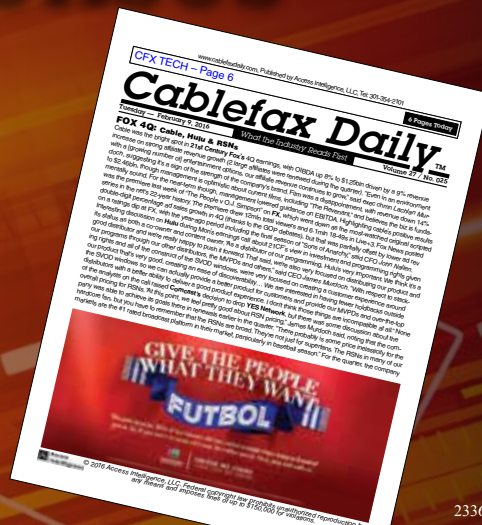
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Viacom International Media Networks, will oversee the company's international media networks, including **Network 10** in Australia.

Charter Joins Alliance for Creativity and Entertainment: Charter became the latest member of **The Alliance for Creativity and Entertainment**, a coalition designed to protect the legal market for creative content. Other members include **Comcast** and **Viacom**, who joined the group earlier this month. ACE also announced a new working group focused on reducing unauthorized access to content, a topic Charter chmn/CEO *Tom Rutledge* is particularly passionate about. The coalition says it will provide opportunities to share best practices and information on what facilitates unauthorized access, including password sharing and inadequate encryption.

Locast Launches in PNW: Free broadcast streaming service **Locast** went live in Seattle on Wednesday. The service is now in 16 markets, after launching in Atlanta and Phoenix earlier this month. The four major broadcasters sued Locast in July. **Sports Fan Coalition**, the non-profit that operates it, filed a countersuit in the end of September. The service gained additional traction after **AT&T** made a \$500mln donation in June, stating Locast is an "innovative way to access free over-the-air signals and that it supports technologies that offer consumers more choice and better access to local content." AT&T pushed consumers to use Locast while it was engaged in disputes with **Nexstar** and **CBS**.

Charter Announces 2019 Spectrum Digital Education Grant Winners: Charter announced the winners of its 2019 Spectrum Digital Education Grants, part of a \$5mln commitment to provide digital education in Charter communities through financial grants, PSAs and webinars to local nonprofit organizations. The company received more than 200 applications and named 31 winners, including **Boys & Girls Clubs In Tennessee**, **Community Tech Network** and **League of United Latin American Citizens (LULAC)**.

HBO Max Outside US: **Bell Media** and **WarnerMedia** signed a long-term exclusive deal that will bring original programming from **HBO Max** to Canada, the streamer's first announcement for HBO Max content outside the US. The agreement extends Bell's programming partnership with HBO, and will make the upcoming service available to Canadians via **Crave** and Bell Media's suite of CTV-branded platforms.

Spectrum Adds HITN TV to Digital: Spanish-language network **HITN TV** is now available to **Spectrum** TV customers who subscribe to the net. Customers can now access and stream live broadcasts and thousands of on demand titles online and with the HITN App.

Ratings: **Hallmark Channel's** "Countdown to Christmas" 10th anniversary kickoff made the net the highest-rated and most-watched net all weekend long (excluding news). The first original movie premiere of the season, "Christmas Wishes and Mistletoe Kisses" on Oct 26 averaged 2.6mln total viewers and reached over 3.8mln unduplicated total viewers.

Programming: **Facebook Watch** partnered with lifestyle entertainment company **Kin** for a slate of five lifestyle programs. The programming targets women 25+ and features talent including *Tia Mowry*, *Adrienne Houghton*, *Jeanie Mai* and *Malika & Khadijah Haqq*. -- **Shudder**, an **AMC Networks'** streaming service, renewed horror anthology series "Creepshow" for Season 2. The series was the service's first hour-long scripted series. -- **EPIX** renewed "Pennyworth" for Season 2. The 10-ep season will begin production in the UK in Jan 2020. -- **Disney** greenlit "Puppy Dog Pals" for Season 4, ahead of the Nov 8 Season 3 premiere at 10am. **Hallmark Channel** and **Hallmark Movies & Mysteries** will premiere four original movies beginning on Halloween. As part of Hallmark Channel's "Countdown to Christmas" holiday slate, "Merry & Bright" airs Nov 2 at 8pm and "A Christmas Scavenger Hunt" debuts Nov 3 at 8pm. Over on sister net HMM, "Nostalgic Christmas" premieres Thursday at 9pm and "Two Turtle Doves" on Friday at 9pm. -- **Discovery Channel** will premiere a new season of "Moonshiners" on Nov 18 at 9pm. The series follows outlaw distillers as they make authentic American moonshine. Viewers can also watch the current and past seasons on the Discovery GO app for free with a paid TV subscription. -- **Comedy Central** ordered animated digital series "Loafy," which centers on a weed-dealing manatee at the zoo. The net also ordered a new season of "Blark and Son." The digital episodes will roll out across all of the net's digital and social platforms in 2020.

People: Video ad management platform **Beachfront** hired *David Clutter* to serve as the company's first head of demand. He'll lead the company's advertiser-facing business which focuses on delivering demand-side transparency to brands, agencies and DSPs. He comes over from PlacelQ, where he served as vp, national strategic agency and programmatic partnerships. The startup previously hired *Ben Abbatiello* away from competitor **SpotX** to run its advanced TV department. -- *Geoffrey Sands* joined **Comcast Corp** as evp, corporate strategy. He previously worked as an independent consultant. -- **FETV** named *Karen Bressner* evp, national sales. Her prior roles include svp, national advertising sales for **TV Land** and **Nick at Nite**.

Think about that for a minute...

Combustible

Commentary by Steve Effros

It's very hard to miss. There's a new iPhone on the market. There's also a new Google Pixel phone on the market. How do I know? Well, you can't watch a television show these days without seeing not one, not two, but dozens of ads for these new devices, or the various carriers offering bundled deals so you can upgrade your current one!

There's something else I've noticed about all this promotional activity. Virtually none of it mentions the use of a "phone!" The new "SmartPhone" devices are touted as having the best low-light camera or the most versatile stylus, the best OLED screen to watch movies or the fastest processor and the longest battery life. But none of them even bother to mention whether the darn thing acts as a reasonably good "telephone." That, after all, is where this started.

We're now being asked to spend upwards of \$1000, and do it every couple of years, for an admittedly excellent camera that fits in your pocket. It's also a remarkably sufficient portable computer. I would have to admit that at my age, it acts as a significant part of my memory!

I think these devices are great, but I'm not sure we should be calling them "phones" any more. After all, "telephone" relates to the transmission of sound, and these things have gone one heck of a long way beyond that. But the fact that this device, whatever we want to call it (and I encourage you to send me your suggestions) has merged all sorts of different capabilities into one portable, sleek, pocketable package is indicative of what's happening in our business on lots of different levels.

This is not just idle rumination. The merger of so many capabilities and business plans on a single platform or infrastructure all owned or operated by a single entity is



going to become more and more problematic.

"Cable Television," for instance, is now an understood term for a wire infrastructure that delivers company-controlled video packages, broadband access and, increasingly, telephone. That last, ironically, both wireline and the backbone for mobile! So what's that wire? How do you separate out the various functions and businesses when you try to figure out the "cost" of, say, "broadband service?" We hear all the time that ISPs shouldn't be charging as much as they do for a service that is, or was, incremental to the original service. But that broadband service would have never successfully rolled out in this country the way it did if it hadn't been financed and built by another, now sometimes competitive (think OTT) service! How do you account for that value?

I don't suggest I have an answer that will untie this Gordian knot. I don't think anyone has that answer. It certainly isn't governmental rate regulation. The last two times we tried that, with "rate of return" telephone regulation and cable rate regulation, the efforts failed miserably, either constraining capital expenditures and technological growth in the case of cable, or winding up with a corporate windfall in the case of telephone. Let's not make those mistakes again. But nevertheless, we're going to have to start working out the implications of the merger of all these various businesses and technologies.

I'm not suggesting we split up companies, necessarily, or that we move toward comprehensive regulation. That would be a disaster. But we do have to figure out how all this merged power can be tamed. If we don't, it's likely some day to burn a hole in our pockets!

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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