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Thursday — December 12, 2019

What the Industry Reads First

Volume 30 / No. 238

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You've Got a Friend: TiVo's Pitch to Help Cable's Pain Points

TiVo may have built its reputation on its DVR and guide, but CEO *Dave Shull* doesn't want people using the 'd-word' or the 'g-word' any more. "We thought about throwing the [TiVo] brand out," he said at an investor conference Wednesday. "It's such a well-recognized brand that I think that would be a travesty." Instead, TiVo wants to be the go-to solution for filtering through an ever-growing amount of content and delivering personalized entertainment recommendations that hit the mark. "We'll leverage our heritage. We'll leverage the fact we reinvented the TV 20 years ago, but if we can do it in a way that is focused on the future and the streaming world chaos, I think that's brilliant," Shull said. Key to TiVo's future is its relationships with cable operators. "We have these amazing relationships with the cable MSOs. What's the biggest pain point for a cable MSO today? It's the fact that their video business is not that good... The prices are going up, the costs are going up much more than [they] can raise prices. So, you've got margin compression," Shull said. "If you're a second or third tier MSO, you probably have very little gross profit on your video business, but what you do have is an amazing broadband-only business." That's where TiVo comes in and attempts to make that high-margin broadband business even more profitable by offering a light video product without the current cap ex costs that can reduce churn. "My DNA as a company is all about partnerships with cable MSOs. And for all the size and capabilities of my massive competitors, that's not in their DNA," Shull said. "We're tripling down on what we're good at." Shull's been on the job as CEO for just six months, having previously served as CEO of **The Weather Channel**. That background should serve him well as TiVo prepares to split in April 2020 into two separate companies —one for its product division and one for its intellectual property licensing unit. The Weather Channel linear network that Shull ran was separated from its digital business, which was acquired by **IBM** in 2015. "It feels very similar," the exec said, explaining how it was too difficult to sell Weather as one company. With TiVo, "you have two sides of the business. The IP side feels under-appreciated, they're generating tremendous cash flow... The product side feels like the IP is a drag from a sales point of view. I think both sides of the business are excited by the growth prospects once they have a split." Shull said the board believes the split will create more strategic flexibility, with it hard to sell a combined IP and product business. "I don't know where it all goes. My hope is that both companies are healthy financially enough on a split basis where they

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can be the buyers, not the sellers,” Shull said. On the product side of the business, there’s a lot more cost-cutting that’s planned, with Shull projecting the company will be at a “very competitive EBITDA margin” by Q3 or Q4.

C-band Legislation Headed to Senate Floor: Senate Commerce voted 14-12 along party lines to advance a bill to the full Senate that would require the FCC to auction no less than 280MHz of C-band spectrum by the end of 2020. At least half of the proceeds from the auction would be sent to the US Treasury while another 10% would be used for rural broadband buildouts. Also included as a provision in the bill was the Don’t Break Up the T-Band Act, legislation that allows emergency personnel in 11 metropolitan areas to communicate with each other during emergencies using T-band spectrum. The Democratic minority took issue with the Republicans’ desire to offer an incentive to foreign satellite operators that currently utilize C-band spectrum. That includes **Eutelsat, Intel, Telesat** and **SES**, all former or current members of the **C-band Alliance**. “We can have discussions about what it takes to vacate C-band, but they do not own the spectrum and don’t deserve to be compensated for the spectrum,” ranking member *Maria Cantwell* (D-WA) said. They instead argued that the money could be directed towards additional rural broadband initiatives and first responders. The Republicans argued that they also care about those issues, but not offering an incentive to the satellite operators opened the door to court challenges. That’s also what led the Republicans to strike down an amendment from Sen *Brian Schatz* (D-HI) that would have prevented any incentives beyond paying the satellite operators for relocation expenses. “We can’t afford to be tied up in litigation for the next 4-5 years,” Sen *John Thune* (R-SD) said. “I will take a backseat to no one—on this committee or in the Senate—when it comes to advocating for more technology to be delivered, services to be delivered to rural areas of this country, and I will continue to do that.”

Fox News Reigns in 2019: The year’s not over yet, but it’s close enough to the end that **Fox News** can crow it finished as the most-watched basic cable net for the fourth consecutive year in prime and total day. It’s 2.5mln viewers in prime goes down as its highest-rated year in Fox News’ 23-year history. **Nielsen** rankers through for 2019 through Dec 9 have **ESPN** taking the No 2 spot in prime with 1.78mln viewers, followed by **MSNBC** (1.75mln), **HGTV** (1.2mln) and **Hallmark Channel** (1.1mln). Fox News is tops in total day with 1.4mln, followed by MSNBC (990K), ESPN (719K), **Nick** (687K) and HGTV (672K).

Charter Ending Legacy Home Security Product: Charter will shut down its Spectrum Home Security service come Feb 5. It’s a legacy offering inherited from **Time Warner Cable** and **Bright House** that Charter supported after acquiring the companies in 2016, but it never marketed or sold the service to new customers. A spokesperson said a very small number of customers are impacted. Charter doesn’t offer its own home security product, but it has partnered with

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Abode and **Ring** to offer exclusive offers for replacement products for impacted customers. The special offers include Abode for \$19/month or \$179/year and a free 8-piece equipment bundle. Ring is offering a free 7-piece equipment bundle and a \$100 annual agreement.

Must Carry Complaint: Gray Media has filed a must-carry complaint at the **FCC** to compel **DirecTV** to carry **ABC** affil WCJB-TV of Gainesville, FL, in Marion County and Columbia County. Earlier this year, the FCC granted Gray's petition to add the counties to the local satellite carriage market of WCJB. "DirecTV's refusal to carry WCJB-TV in the counties flies in the face of this decision, and its reasoning that the station substantially duplicates programming of television stations licensed to the Jacksonville and Orlando Designated Market Areas does not withstand scrutiny," Gray told the FCC.

Stankey Says Disney+ Not a Replacement for HBO Max: AT&T COO/WarnerMedia chief *John Stankey* said Tuesday that it was a relief to wake up and not be involved in the **T-Mobile/Sprint** merger trial happening down the street in NYC, and no matter which way the trial goes, he believes AT&T stands to benefit. "No matter which way it comes out, it's going to mean a degree of distraction," Stankey said at an investor conference. "It's either going to be a degree of distraction because the transaction doesn't complete and both sides have to go back to figuring out what they play is then... or it's maybe that they get their way through and the parties come together, and then they've got the lovely task of integration... the important thing for us is to continue to run our play." That includes continuing to grow its wireless business and successfully launching streamer HBO Max. AT&T plans on offering HBO Max to certain AT&T Mobility customers, and Stankey said it has every opportunity to be more successful than **Disney+**'s pairing with **Verizon**. "Disney+ is a good product, they've done a nice job... it's not that deep. Max is a product that appeals to the entire family and the family wireless plan," Stankey said. "It's something that everybody in the family looks at and says that has something in it for me." Stankey said AT&T has begun talking with cable distributors about carrying HBO Max, and those talks are going "like they always go," he said. "You could probably write a book about the unique character of any carriage agreement negotiations," Stankey said. "There's an inordinate amount of time spent by the sides at the front end posturing and then as a deadline approaches, a lot of work gets done in a very short period of time." He still believes that distributors have plenty to benefit from carrying HBO Max, including access to overall viewership data through **Xandr**.

FreeWheel Teams Up With DISH: Comcast's FreeWheel partnered with **DISH** to create a technology that allows distributors to optimize across both traditional demo-based and addressable linear TV, which the companies say eliminates friction from the ecosystem and works towards providing a holistic view of performance across all TV spend. A distributor typically uses one technology platform to manage and schedule its linear TV spot inventory, and another to manage addressable. By unifying the approaches, FreeWheel and DISH hope to allow distributors to consider the full pool of demand for both sets of inventory and optimize accordingly. The system also aims to eliminate legacy workflows through automation and data-driven ad-decisioning, allowing distributors to streamline workflows and further scale audience targeting abilities. DISH will be the first distributor to employ the new FreeWheel tech, which Comcast is not using yet.

Comcast Ups Accessibility Functions for Visually Impaired: Comcast partnered with wearable technology company **NuEyes** to bring its Xfinity Stream app to visually impaired customers through NuEyes' VR capabilities. Xfinity Stream will come pre-installed on NuEyes e2 smartglasses, which enhance the usable vision of someone who is visually impaired.

SAG Awards Ignore Broadcast: Golden Globes nominations completely shut out broadcast nets, and the SAG Awards nearly followed suit. **NBC** took in the lone broadcast nomination for "This Is Us" star *Sterling K. Brown* in the acting category. **Netflix** topped SAG noms, earning 13 nods. **HBO** followed with 10 and **Amazon Prime Video** with seven. Seven of Netflix's nominations came in film categories, with four to *Martin Scorsese's* drama "The Irishman." Amazon's "The Marvelous Mrs. Maisel" was the most nominated TV show with four nods, and **Apple TV+** earned its three nominations for "The Morning Show." **Pop TV** pulled in two for "Schitt's Creek" and **FX** with two for "Fosse/Verdon."

Record ESPN: Sling users can now record **ESPN** channels with Cloud DVR just in time for college bowl season. Digital nets including **ESPN3**, **ACC Network Extra** and **SEC Network+** aren't eligible, and neither are Disney nets (**Disney**, Disney Jr., Disney XD, Freeform). Additionally, Sling is giving subs full DVR controls on all recordable channels, allowing users to pause, rewind or fast-forward through any record programs, including skipping commercials.

Public Affairs: WICT's first-ever PSA received \$8.7mln in donated airplay from its partner companies, exceeding the initial commitment by \$2.5mln. For WICT's 40th anniversary, the organization's partner companies **Comcast NBCU**, **Cox**, **Discovery**, **Spectrum** and **WarnerMedia** initially pledged \$6.2mln in donated airplays for its #LeadWithMore campaign.

People: Happy trails to **WarnerMedia's** *Rachelle Savoia*, a past FAXIES PR Exec of the Year finalist who is exiting the company at year-end. We hope she enjoys some well-deserved downtime and is back in the PR saddle soon.

Think about that for a minute...

Follow The Money

Commentary by Steve Effros

No, this is not about Washington politics, New York real estate shenanigans or corporate PACs. This is about the Golden Globe awards (appropriately named)! The “Globe” nominations were just announced and something very interesting happened; there were no nominations for broadcast television programs. None, zero, zilch. That’s the first time that’s ever been the case.

Should we be surprised? No, not really. Netflix topped the list with a whole host of nominations. Then, of course, there was Amazon Prime and Hulu, Showtime and HBO. Even Apple TV+ got a nomination despite their program having been on for less than two months! Of course HBO walked away with the most nominations over the past number of years with shows like *The Sopranos*, *Game of Thrones* and *Veep*, but those have been thoroughly honored and things get boring if you keep going back to the same ones. So now we have a new crop from the latest group of aggregators of programming fare.

It used to be that most of the creators of the programs, both “movies” and “TV Dramas” made stuff that was then sold to the broadcast networks. That’s because the networks had a business model that made more money than anyone else, so they could spend more money and buy the “best” product. It worked for a long time. But now we have a new set of players.

HBO was the first, with a subscription service that was initially sold only through cable operators. That’s because the cable operators were the only ones with a delivery system that could rival the broadcasters and get in to most American television homes. Now we have broadband, ironically also provided primarily by cable operators. Again, it’s the infrastructure that dictates



that. So the Netflix, Hulu, Prime crowd has moved to a system of direct, exclusive sales to the consumer, but essentially it’s the same thing from the program creator’s point of view; their programs are bought, packaged and marketed by companies that aggregate the product and either sell it directly to consumers or sell it through a distributor.

The only apparent difference from the “old days” is that the new companies, intent on competing directly with each other, are ratcheting up the price they are willing to pay for what is considered the top content from the top program creators. That’s great for the creators so long as the “bubble,” if it is one, doesn’t burst. The broadcast networks are falling back to reliance on “live” programming of news and sports to protect their bottom lines. They have already paid incredible sums, especially for the sports, so they can’t really play in the “original content” game as much as the newbies can.

How long will this last? Hard to say. There is no secret that this fierce competition at the moment is being engaged in by a bunch of companies which acknowledge that they aren’t making money. Indeed, they’re spending buckets of it, and some say they hope to start making a profit within five years! That’s quite a financial bet. But they all know that old truism; follow the money. That’s what the creative community is doing at the moment and who can blame them! So far as the “cable guys” are concerned, hey, we just want to make sure our customers get good delivery of whatever they want to watch, with whatever service they want. We win no matter what. We can just hope that all these new services don’t get blinded by all that “gold.”

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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