

Cablefax Daily™

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What the Industry Reads First

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No Video: DirecTV Continues to Bleed as AT&T Preps for HBO Max

AT&T lost another 1.2mln subscribers from its video offerings in 4Q19, the company announced on its earnings call Wednesday. Of that, 945K left its premium TV businesses, including **DirecTV**, **U-verse** and the **AT&T TV** service that the company launched in 3Q. That leaves the company with only 19.5mln premium TV subscribers. An additional 219K dropped **AT&T TV Now** (the service formerly known as **DirecTV Now**). With the drops, revenues in the company's entertainment segment fell to \$11.23bln, a 6.1% decline YOY. Net income fell to \$2.39bln from \$4.86bln YOY. AT&T COO *John Stankey* reiterated that the declines in video subscribers will slow throughout this year, and the cord-cutting that has already occurred is what has become the norm in the ever-transitioning traditional pay TV universe. "It's a mature product that's kind of working its way through the back end of a life cycle," Stankey said. "But I like where we stand in that and that our total percentage of cost of goods sold in that space relative to the size of the bundle that the customer buys is not huge." To try and maintain the value of pay-TV networks **TNT** and **TBS**, AT&T is pivoting network programming to maintain their value in a distributor's lineup. "We all know that general entertainment content and the bundle is not performing as well," Stankey said. "Let's be clear, the reason we're doing Max is we also know that new distribution platforms need to be out there that are the growth platforms and that match general entertainment content to how consumers want to see them." To keep the networks relevant, AT&T is going to mix in more unscripted content into their programming lineups while saving some of the more general entertainment-oriented content for HBO Max, which launches in May. Speaking of Max, the **WarnerMedia** segment of the business reported \$8.92bln in revenues, a number that could have been larger if AT&T had licensed shows like "Friends" to third parties rather than deciding to hold on to it for Max. Stankey confirmed that AT&T is in active discussions with potential distribution partners for Max, including digital platforms and MVPDs. He said that they're making progress and expect to have deals to announce ahead of launch. Both he and AT&T CEO/chmn *Randall Stephenson* made it clear that the company views a successful launch as critical to AT&T's 3-year plan. "Our more than 10mln HBO subscribers on AT&T distribution platforms will be offered immediate access to HBO Max at launch, so we'll get off to a fast start," Stankey said. AT&T will focus on driving growth through its 170mln direct customer relationships across mobile, pay TV and broadband. It's also hoping

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to add to that customer relationship total by expanding its fiber footprint. The company reported 191K AT&T Fiber net adds in the quarter. AT&T now has nearly 4mln fiber customers and, at this growth rate, expects to end 2022 with a total of 7mln. The brightest spot on the balance sheet is wireless, which saw 229K postpaid net adds in Q419. In terms of its mobility segment, **MoffettNathanson** believes that AT&T is in its strongest competitive position in years. “Their spectrum position, with a healthy mix of low frequency, mid-band, and millimeter wave holdings, is much more balanced than Verizon’s, and their FirstNet offering continues to bolster network performance, cost structure, and marketing,” MoffettNathanson said. Still, it can’t depend on doing what it has done in the past to maintain that subscriber base. AT&T is facing more competition than ever with cable companies and its traditional competitors stealing customers away with their wireless offerings.

Dems Propose \$86bln for Broadband: House Democrats unveiled their five-year \$760bln infrastructure investment plan Wednesday, which carves out \$86bln for broadband and communications. The plan, dubbed the “Moving Forward Framework,” would invest \$80bln over five years to deploy broadband and expand access in unserved and underserved areas. Another \$5bln is pegged for low-interest financing for broadband infrastructure build-out projects. Another \$540mln over five years would go to promote digital equity and build capacity for efforts by states relating to broadband adoption. The plan allocates \$600mln to support digital equity, promote digital inclusion activities, and spur greater adoption of broadband among covered populations. The framework was put forth by **Transportation** chair *Peter DeFazio* (D-OR), **Commerce** chair *Frank Pallone* (D-NJ), and **Ways and Means** chair *Richard Neal* (D-MA).

Blockbuster is Back... Sort of: We are reminded that **DISH** bought **Blockbuster** in 2011 and still owns what’s left of it. It appears the company is trying to cash in on the nostalgia of the brand by **launching** “Free Friday Movie Nights” with Blockbuster. Every Friday, starting Jan 31, non-**Sling** subs can catch a different free movie via “Sling Free with Blockbuster Flashback Friday”—with no rental fees or “Be Kind Please Rewind” stickers. You just need to download the app. This week’s Blockbuster flashback is “The Illusionist.” Upcoming flicks include “Stuck in Love” and “Bernie.” For those who prefer to stand in line to make it a Blockbuster night, there’s still **one** remaining store in Bend, OR.

Fox News Celebrates 18 Years of Winning: **Fox News** is going to party like it has been the most-watched cable news net for 18 consecutive years. That’s because it has. “We passed CNN at the end of January 2002 in viewership and the key 25-54 demo in both Total Day and Primetime and never looked back,” Fox News CEO *Suzanne Scott* and pres/exec editor *Jay Wallace* wrote in a company memo this week. “There is no other network in cable



Who Deserves to Rank Among Cablefax’s Annual Top Power Players?

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that can lay claim to this level of consistent dominance with one of the most loyal and passionate audiences in the country.” Fox News will treat employees Monday to a celebratory breakfast, lunch and dinner at its HQ (bureaus are also getting in on the free food). Fox News bested all of basic cable in total day viewership for January with 1.7mln total viewers, and it snagged the crown in prime for the month with 2.9mln viewers.

Ad Groups Ask for CCPA Delay: The ad industry’s trade groups sent a letter Wednesday to California’s Attorney General asking him to delay enforcement of the state’s new privacy law, which limits companies’ data collection. CCPA went into effect Jan 1, but enforcement action doesn’t begin until July 1 and the framework is still being ironed out. The groups (**Assn of National Advertisers**, **American Assn of Advertising Agencies**, **American Advertising Federation**, the **Interactive Advertising Bureau** and **Network Advertising Initiative**) asked that enforcement be delayed until at least six months from the date rules are finalized.

Apple TV+ Debuts: **Apple TV+**’s original series accounted for six of the top 10 streaming debuts of 4Q19 based on audience demand, according to data from **Parrot Analytics**. **Netflix**’s “The Witcher” and **Disney+**’s “The Mandalorian” were the top debuts by far (106.7x and 99.2x 30-day post-premiere demand index, respectively), but Apple TV+’s “Truth Be Told” came in at No 4 with a score of 26.5. “Servant,” “See,” and “For All Mankind” took the next spots, and “Dickinson” and “The Morning Show” rounded out the ninth and tenth. The streamer’s sixth best-performing debut series, *The Morning Show*, was still 16.5x more in demand over its 30-day premiere period than the average TV series with US audiences.

Distribution: Sports and entertainment programming syndicator **TVS Television Network** launched a free streaming service on www.watchyour.tv. TVS is now streaming 12 ad-supported channels 24/7 with classic content and a slate of new programs that “capture the historic nature of television.” -- **Bloomberg Television** launched on **Verizon Fios** Jan 29. Customers in NY, Philly, DC, Boston and other cities across the East Coast will have access through various Fios packages.

Charter’s New Hispanic Ad Campaign: Latin superstar *Ozuna* has teamed up with **Charter** for a Hispanic TV ad campaign. The centerpiece is a 60-second spot featuring his new single “Hasta Que Salga El Sol.” The ad is currently airing across Spectrum’s enterprise-wide Hispanic footprint, which encompasses 10 million Hispanic households throughout the company’s 41-state service area. There are also short, digital-only videos as well as direct mail, print ads and customer emails.

Programming: **Fox Sports** will deliver Super Bowl LIV in 4K Ultra HD and HDR for the first time on Sunday. The game will be available on Fox Sports and Fox Now apps via 4K streaming devices, and the UHD broadcast through distributors including **DirecTV**, **DISH**, **Comcast**, **Altice Optimum**, **Verizon Fios** and **fuboTV**. -- **Disney+** announced a slate of new nonfiction projects, including the next generation of “The Quest,” now featuring teen participants. The streamer also greenlit brainteaser competition series “The Maze,” **Nat Geo**’s “Meet the Chimps” and an untitled docuseries following **Pixar**’s SparkShots program. -- **Insight TV Studios** teamed up with digital and influencer-focused agency **Webedia**. The first production will be five-part skateboarding series “Full Circle,” set to premiere on Insight TV in spring 2020.

People: **Comcast** named *Christopher Smith*, formerly of Indiana utility **NiSource**, as vp, HR for the company’s Western New England region. -- **C-SPAN** co-founder and **Cable Hall of Famer** *John Evans* will serve as chmn of the **American Medical Association Foundation**’s new LGBTQ Fellowship Commission— a national fellowship program to promote best practices while improving the quality of LGBTQ health care across the nation. The commission will consist of 13-15 LGBTQ thought leaders, educational specialists, physicians, and philanthropists who will be appointed by the AMA Foundation Board of Directors, under Evans’s leadership and direction. -- Former **HBO** chmn/CEO *Richard Plepler* has joined the board of **Luminary Media**, a premium podcast subscription service. The service offers a free service that includes widely-available podcasts as well as premium \$4.99/month service with ad-free original programming. The company plans to make additional board announcements soon.

Honors: Former **MTV Networks** chmn/CEO *Judy McGrath* will join seven other inductees into **The American Advertising Federation**’s Hall of Fame, April 28 in NYC. Joining McGrath are former **McCann** chmn/creative officer *Nina DiSesa*; **Edelman** CEO *Richard Edelman*; **MediaLink** vice chmn *Wenda Harris Millard*, **Muse Communications** founder *J. Melvin Muse*, **BBDO Worldwide** pres/CEO *Andrew Robertson*, **Interpublic** chmn/CEO *Michael Rother* and renowned photographer *Annie Leibovitz*. The 71st Hall of Fame ceremony will be held at Cipriani Wall Street.

Think about that for a minute...

Numerology

Commentary by Steve Effros

The old adage “figures don’t lie, but liars can figure” should probably be modified in looking at some of the numbers recently released about television program viewing and subscriptions. I’ll be kind, and just say that “figures don’t lie, but be darn sure to read the footnotes!”



As a regulatory lawyer I learned that lesson years ago when both reading and writing proposed legislation and regulations. What was said in the press releases and by regulators and legislators about the “body” of the text was always subject to the conditions often buried in the footnotes. That’s certainly true today with the PR numbers surrounding television viewing.

The latest great example is this month’s investor letter sent out by Netflix. It generated headlines about the massive success of their new series “The Witcher.” It had, according to Netflix, the strongest showing of any new series. 76 million member families chose to watch the new series in the first month. That’s a lot of viewing...maybe.

There’s little doubt that there would be a lot of interest in the new, heavily promoted fantasy series. After all, it comes after 6 successful Polish books and a video game run. All of those established fans were likely to at least take a look at how it had been transferred onto the big screen. And, of course, Netflix would like everyone to see this new series as the successor to HBO’s “Game of Thrones.” How better to compete with HBO than to out-buzz them with a long-term fantasy series about sorcerers, monsters, dragons, a hunk hero and throw in a little nudity too!

Now I’m not saying it won’t work, but I did watch the first episode and had little impetus to repeat the effort a second time. And that’s where the numerology comes in. You see, Netflix, in a footnote to the “headline” about this

being the most successful series launch, mentioned, quietly, that they had modified their definition of what it means to “watch” the series.

From their new metric point of view, anyone who “.. chose to watch, and did watch for at least two minutes” was considered to have viewed the series. That’s a change from their former measurement, which was if someone watched at least 70 percent of one episode, then they were considered a viewer of that series. That’s quite a change! Netflix acknowledged that it will result, on average, with increased “viewership” of their material, across the board, of about 35%. Pretty good if you can get it!

Two minutes? As one commentator pointed out, it took about the first two minutes of the series premiere to kill off the spider-with-a-human-face monster introduced in the opening scene. If you decided this program, based on that, was just not for you; too late! You’re counted as a watcher of The Witcher! Of course these numbers have different value than the standard “Nielsen” numbers for broadcast and cable channels. Networks are trying to convince advertisers that folks are likely to see their ads along with the programs. Netflix is trying to get “buzz” for a series to get folks to subscribe. A different paradigm, so different use of numbers.

But what about those “subscribers?” Well, there’s numerology going on there, too. Disney Plus says it had a fantastic first month rollout; 10 million folks signed up! Just ignore the fact that they offered a week free for anyone to binge watch and Verizon gave away a year’s service to its cell phone and Fios subs. Isn’t playing with numbers fun?

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.)

Cablefax: February What’s happening...

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Black History Month. Cablefax’s special report will look at how programmers and operators celebrate Black History Month, as well as how they keep the celebration going all year long.

NCTC Winter Educational Conference. We’ll preview the annual gathering of forward-thinking technology and bring you all the news from the conference.

Political Ad Spending. A look at the trends, ad spending and hot races as we draw closer to election day.

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