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WHAT THE INDUSTRY READS FIRST

All In: Advertising and How it Relates to Discovery's Upcoming DTC Product

While we don't know too much about **Discovery's** plans for its upcoming DTC product, we do know it's coming. Discovery CFO *Gunnar Wiedenfels* gave a little more insight on what consumers can expect from the planned OTT product ahead of the company's planned announcement in early December.

Right now, Discovery isn't getting full value from advertising when its content is streamed, and it isn't getting access to all of the viewership data, which is a large incentive to enter the DTC space. "Measurement and attribution needs to be improved," said Wiedenfels, speaking at an investor conference on Wednesday. "Frankly, on our side, the most important piece is more data."

Discovery has engaged in multiple partnerships, and has "significantly improved" its access to data and its ability to match viewers with other data sources, the CFO said. "But we're not at the point yet where we want to be... One of the biggest appeals of having a direct-to-consumer product in the market is obviously having the direct-to-consumer relationship and getting all that data and hopefully amassing a lot of engagement to then be able to really take the next step," he said. "We're getting a good premium, but we're not done."

Wiedenfels thinks now is the perfect time to enter the DTC space, after watching other players in the market and perfecting Discovery's offerings internationally. "The ecosystem has evolved," he said. He pointed to other competitors,

noting there's been a lot of "clarity," saying that competitors have deprioritized the traditional ecosystem in a way that the industry hasn't seen before. "We're going to continue to be great partners with this ecosystem, because we think we have a lot more runway and a lot of growth opportunities in that space," he said.

However, there are 30mln households in the US that Discovery currently doesn't reach. Wiedenfels believes the DTC product can help it make inroads. "It's also become clear that it's less of a radical move today than it was two or three years ago to think about those 30mln homes that do not have access to us," he said. "Right now in a way we're disappointing people, because you can't sign up for the full thing. And that's a lot of potential, and remember every one subscriber we're generating out of those households comes on top of a revenue generating perspective."

When it comes to advertising, Wiedenfels said that October was flat, and November looks to be shaping up the same. "That's a massive improvement over what we've seen earlier in the year," he said. He also believes that ad decisions this year were "sentiment driven." Pointing to the recent positive news regarding a vaccine for coronavirus, he's optimistic the sentiment will stay positive. "That being said, December is not in the bank, so there may be some impact there. But top to bottom every driver is looking a little bit better. We had a very successful upfront with strong pricing, and we held back a little bit of inventory as well in expectation of a very strong



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scatter market, which is so far coming in as well.”

The biggest strength for Discovery right now? Domestic affiliate revenue. “We’ve spoken before about our success in recent renewals with very attractive deal terms, in some cases additional carriage and strong pricing,” he said. “Right now the fourth quarter is looking like it’s going to be mid-single digit affiliate growth, and that’s very encouraging.... If someone had offered me this sort of forecast in early March, I would’ve asked where to sign.” Thus, it shouldn’t be a surprise that despite all the DTC talk, Wiedenfelds said Discovery won’t be leaning away from the traditional pay TV ecosystem.

REPORT: DISH MAY LOSE AWS-3 LICENSES

The **FCC** has reportedly unanimously ruled that companies with ties to **DISH** will not be allowed to receive designated entity discounts for AWS-3 spectrum purchased in 2015. Five years ago, **Northstar** and **SNR Wireless** won the 345 and 357 licenses, respectively, and both were eligible for a 25% bidding credit due to their statuses as designated entities and very small businesses. Upon review, the Commission ruled that Northstar and SNR Wireless were not eligible to receive the discounts because under FCC rules, DISH was effectively in control of both companies. DISH relinquished licenses with a value equal to the discount before appealing the decision. The appeals court remanded the matter back to the Commission in order to give the parties an opportunity to negotiate a cure for de facto control. DISH, Northstar and SNR Wireless filed amendments with the FCC in 2018 and asked that the licenses be granted to the designated entities, and the FCC has been examining the issue ever since. “They’ve been in

limbo for five years now, and it’s a little bit unfair and the courts have said that they get a chance to change the agreement, and I think they’re anxious to move forward,” DISH chmn *Charlie Ergen* said on the company’s recent earnings call. “You’d like to have certainty... whether it could be this administration at the tail end or the next administration.” Now that the FCC has reportedly ruled, DISH will have a chance to again appeal. If DISH loses that appeal, the FCC would again auction the licenses. If those licenses are sold for less than \$3.3bln, DISH would have to pay the Commission the difference between the \$3.3bln and the new sales price. “We expect strong bidding for the licenses; AWS spectrum now sits at the core of the networks for all three national carriers, and DISH relinquished licenses that fill holes in Verizon’s AWS-3 holdings,” **New Street Research** said. “DISH will undoubtedly be a bidder too. We would expect them to bid up to the \$3.3BN they bid last time around (or something very close), and either walk away with the licenses or with no further liability.

INDUSTRY LAYOFFS CONTINUE

The latest wave of layoffs hit **NBCU** on Wednesday, with the company laying off fewer than 5% of employees in *Frances Berwick’s* TV & streaming division. The layoffs come as part of the group’s ongoing restructure that had been previously announced. The next wave of layoffs will likely come early next year on the content side of the business, under *Susan Rovner*. – **ViacomCBS** reportedly laid off an additional 100 employees on Wednesday across departments like finance, legal and technology. – **AMC Networks** became the third company to announce layoffs on Wednesday, letting go 10% of

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The Collapse of Theatrical Windows?: With theaters shuttering, will day-and-date releases become a reality? **Saatchi & Saatchi** is the first out of the gate, announcing “Trolls World Tour” will be available April 10 for a rental. Other in-release movie titles are set to be available as soon as this Friday. The movies will be available on **Comcast**, **Sky** and a “broad range of on-demand partners.” Titles to be made available include “The Man” and “Emma” with a suggested retail price of \$19.99 in the US. **What the Industry Reads First** Tuesday — March 17, 2020

For Now: Providers Set Aside Disputes During Coronavirus Outbreak As they face the common enemy that is the coronavirus pandemic, **Cox Media Group** and **DISH** have set aside their retrans dispute for now so that DISH can resume its carriage of 10 CMG stations in New York, Oregon, Washington, Arizona, Louisiana, California, Mississippi and Idaho. No word on how long the dispute will last. **What the Industry Reads First** Tuesday — March 17, 2020

Cablefax Daily™

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New Normal: Companies Roll Out Contingency Plans in Face of Covid-19 With a growing number of students and employees working from home, it’s mission critical for the nation’s broadband providers during the Covid-19 pandemic. Operators big and small are up-ending their day-to-day operations to ensure **What the Industry Reads First** Wednesday — March 18, 2020

Covering Covid-19: Content Companies Step Up Efforts Programmers are shuffling schedules to respond to the coronavirus crisis. **The Weather Channel** group is adding a 5-minute segment during each hour of live programming at 50 minutes past the hour to share educational content. **Pledge** is also due to school closure. Topics include why the under happens, how rainbows form. **What the Industry Reads First** Wednesday — March 18, 2020

From the Commission: Another 116 broadband and telephone service providers have taken **Pa’s Keep Americans Connected Pledge**, agreeing to take specific steps to keep Americans connected for 60 days. Some notable names taking the pledge include **Hotwire Communications**, **Midwest** **What the Industry Reads First** Wednesday — March 18, 2020

its US workforce, equivalent to nearly 100 positions. The reorg is designed to streamline its linear and streaming operations. The news was first reported by *Deadline*.

FCC CLOSES CARRIAGE DISPUTE LOOPHOLE

The **FCC** revised its rules around the resolution of program carriage disputes between programmers and MVPDs, adopting a Report & Order Wednesday during its November open meeting. Specifically, the R&O amends the statute of limitations for filing program carriage complaints, clarifying that the one-year period in the third prong of the statute of limitations begins to run when an MVPD rejects or fails to acknowledge a request for program carriage or request to negotiate for program carriage, rather than a year after the video programming vendor gives an MVPD notice of its intent to file a complaint. Additionally, initial decisions by an administrative law judge in program carriage, program access and open video system proceedings will not take effect for at least 50 days following release and will be stayed automatically if a decision is appealed to the FCC.

FCC OPENS 5.9GHZ BAND

The **FCC** also adopted new rules for the 5.9GHz band that will make 45MHz of the band available for unlicensed use. The proposal had received pushback from the **Department of Transportation**, arguing that the entire band should be reserved for intelligent transportation systems. "Some may highlight the fact that other agencies or entities have complained about our decision and asked for more time, but this FCC, unlike its predecessor, is not going to kick the can down the road any longer," FCC chmn *Ajit Pai* said. "These performative displays and requests for delay are just that—performative." The action has received widespread support from cable operators, industry associations and lawmakers on both sides of the aisle.

VERIZON OPEN FOR MORE DTC DEALS

Verizon has benefited significantly from its partnerships with programmers like **Disney**, and evp/CEO, consumer group *Ronan Dunne* believes the wireless provider has the tools to be a strong partner to others examining direct-to-consumer strategies. "We see ourselves as a very strong ally to those who are looking at DTC strategies, Disney being the prime example, because traditionally many of these businesses have had either a wholesale or a B2B distribution model," Dunne said at an investor conference Wednesday. Just over 60% of Verizon's wireless customer base are on unlimited plans now, and 58% of the new unlimited accounts are choosing premium plans that allow them to get **Disney+**, **ESPN+** and **Hulu** for free. "That model allows us to enjoy the economics of being a distributor in the classic affinity model, but also enjoy the benefits of adding value to the customer at a higher rate of perceived value than actual cost to execute, which improves stickiness and value-for-money perception," Dunne said.

COMCAST ADDS LIVESTREAMING FEATURE

Comcast announced the launch of Watchwith, a new livestreaming app for Xfinity X1 and Flex customers. It is introducing the app tonight with an event in partnership with **Bravo's** "The Real

Housewives of Salt Lake City." Xfinity customers can join a live stream pre-show on X1 and Flex to interact with the six new housewives, live tweet questions and unlock never-before-seen clips. The pre-show will immediately precede the new episode of the series airing at 10pm ET on Bravo.

ATSC 3.0 ON FCC DECEMBER AGENDA

The FCC will consider a proposal to encourage the deployment of services using next-gen broadcast standard ATSC 3.0, chmn *Ajit Pai* said in a blog post. The Commission will vote on a Report & Order that clarifies the basis on which to calculate ancillary and supplementary service fees. Also on the agenda is an order to implement the Secure and Trusted Communications Networks Act of 2019.

TOP 10 OTT SERVICES

New entrants to the OTT video space have shaken up **Parks Associates'** annual top 10 US subscription video services list, which is based on the number of subs. The list currently stands with **Netflix**, **Amazon Prime Video** and **Hulu** as the top three. **Disney+** stands at No 4, and **ESPN+** at No 5 is the only sports-based service on the list. **HBO Max**, **Apple TV+**, **CBS All Access**, **Showtime** and **Starz** round out the bottom five. **Sling TV** and **MLB.tv** fell off the list.

NBCU, SIRIUSXM CONTINUE PARTNERSHIP

NBCUniversal News Group and **SiriusXM** signed a long-term deal under which the simulcasts of **MSNBC** and **CNBC** will continue to air on SiriusXM. The Today Show Radio channel will also continue to be carried on the satellite radio service. Under the new deal, SiriusXM also becomes the exclusive advertising representative and end-to-end ad tech platform for the slate of NBC News, MSNBC and CNBC podcasts.

COX JOINS CLOUD COMPUTING ORG

Cox Communications has joined the Cloud Native Computing Foundation as a gold member. Cox is investing in edge capabilities and is looking to partner with developers across the ecosystem in delivering cloud services and low latency performance to their residential and business customers.

DISTRIBUTION

Insight TV launched on **Local Now**, the free streaming service owned by *Byron Allen's* **Entertainment Studios**. Viewers can watch Insight TV now on the Local Now website. The launch will continue across all of Local Now's apps in the coming weeks.

PROGRAMMING

The **Atlantic 10 Conference**, **ESPN** and **ESPN+** reached a three-year extension of their relationship. The extension maintains the coverage of 28 men's basketball appearances on ESPN, four regular season women's basketball appearances and the women's basketball championship. ESPN also retains the rights to the A-10 men's basketball championship final. – **MTV** ordered another season of "Siesta Key." – **Hallmark Channel** and **Hallmark Movies & Mysteries** will host their joint "Can't Miss" Thanksgiving event, Nov 23 through Nov 30. The slate features seven new "Countdown to Christmas" original movies and one new "Miracles of Christmas" original movie premiere.

Think about that for a minute...

First Things First

Commentary by Steve Effros

I had hoped not to have to write this, but you might want to send it along to your elected officials and anyone else loudly demanding their "First Amendment rights" from Facebook, Twitter and the like. Listen up: the First Amendment to our Constitution does not apply to those companies! The First Amendment imposes a restriction on the government, not on private companies. You all knew that, right?

Here's what it says, in relevant part: "Congress shall make no law... abridging the freedom of speech, or of the press..." Note in particular that this restriction in the First Amendment applies to Congress, not individuals, not companies, not web sites. It's Congress that is prohibited from: "...abridging the freedom of speech, or of the press..."

I have to go through this in painful detail because we're being exposed to an almost absurd amount of grandstanding by both conservative and liberal members of Congress as they delight in calling up the CEO's of Facebook and Twitter (they left out Google this week) for public excoriation regarding those internet platforms' abridging the "First Amendment" rights of the folks using them.

No. Wrong. There is little question that both Facebook and Twitter along with YouTube, Instagram and the like have had a tremendous societal impact. Much of it negative, in my view. It's also true that they have facilitated the creation of "information bubbles" which have resulted in vast segments of the public willfully sheltering in their own realities. I refuse, by the way, to say that most folks don't know what's "fake" and what's "factual." They do. But it's become way too easy to retreat into reality bunkers that simply reinforce what folks want to believe. Thus, we, amazingly, have people dying of COVID while still insisting that it "can't be real!"

Facebook, et. al. are certainly responsible for helping to enable those bunkers. But when those companies finally take responsibility and start "flagging" untrue statements, the complaint of the conservatives, or refusing to do even

more about the dissemination of hate speech, etc., the complaint of the liberals, they aren't violating anyone's "First Amendment" rights! Those companies, just like your local newspaper, the broadcast networks or any other creator and distributor of information have the right to edit it, curate it, decide what to put in or on it that they please. This is NOT a "First Amendment" issue! Users of Facebook do NOT have the "right" to say whatever they want. They only can because the company has chosen to allow them to.

Of course, there's a major difference, as I have noted here many times, between Facebook, et. al. and other, yes, "publishers." Section 230 of the Communications Decency Act says, unlike other "publishers," they are immune from liability for the statements made by others on their platform. That's the difference. It's a big one. It has allowed this virus of inappropriate speech to proliferate. But let's be clear; it's a protection of a business plan. If web platforms were liable for what they helped publish, things would be very different!

There's good reason to debate whether we should continue to protect that business plan. Forcing platforms to be responsible for what is distributed may tamp down the extremes we are now experiencing. That would be good. And, yes, it may also result in Facebook, et. al. not being as profitable as they are now. So be it. We have created a

monster that needs to be tamed, and I'm not sure, but this may be the only way to tame it.



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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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