

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## State of the Market: OTT, vMVPDs and Traditional Cable in 2021

*(The following article is Volume 13 of the 13-part Broadband Game-Changer Series, brought you by Adara Technologies)*

The early part of 2020 (doesn't that seem like so long ago?) saw a critical turning point where most traditional cable operators came to view that trying to save video customers who were inclined to cut the cord was a losing battle. As we enter 2021, how will these MSOs shift their traditional businesses amidst all the new streaming and vMVPD competition?

The most recent data from **Leichtman Research Group** found that the largest pay-TV providers in the US lost about 120K net video subs in 3Q20, with the top seven cable companies having 44.3mln video subs. "Cable operators have long since pivoted to a place where they're more or less agnostic as to whether video customers stay or go," analyst *Craig Moffett* of **MoffettNathanson** told **Cablefax**.

**Comcast** lost 273K subs in 3Q, with **Altice USA** losing 86.4K and **Cox** dropping 60K. **Charter** actually added 67K. Moffett believes early 2020 was the defining moment in operators' approach to video. "As *Tom Rutledge* [Charter CEO] put it, throwing \$60 of video at a customer for \$40 to keep them from leaving is a terrible idea. They just don't bother to do it anymore," said Moffett. "That's not to say that they won't continue to offer a compelling video product for customers who want it, but there isn't any real urgency in convincing customers not to leave."

At an investor conference in September, Rutledge described the future of video as more of a "video store," offering a range of products that includes everything from tiers of sports channels to traditional video products and AVOD services.

"That's the fundamental aspect of video we're interested in," Rutledge said. "There is margin in the traditional video business still, but to keep it requires continuous price increases."

A lot of these cord cutters have been heading over to vMVPDs,

but analysts aren't optimistic about the long-term prospects of the providers. "For a long time, the virtual MVPDs were selling services below cost and customers were naturally subscribing, as any sane person would. But as the price of the virtual MVPDs has risen to more accurately reflect programming costs, the appeal of virtual MVPDs has waned considerably," said Moffett.

vMVPDs are now facing the problem of programmer consolidation and bundling. **LightShed Partners** pointed out that while vMVPDs found meaningful value in the **Scripps'** networks, the **Discovery** acquisition forced them to take both sets of networks. The same thing happened with **Disney** and **Fox**, and **Viacom** and **CBS**.

"As these services emerged, the hope was to offer consumers better price/value bundles by starting the channel offerings from scratch. For the most part, that hope is gone and vMVPDs are looking more like their predecessors, albeit with better interfaces/features, less RSNs and the ability for consumers to cancel (churn) at anytime," said a **LightShed Partners** blog. **Hulu** + Live TV by far leads the pack, adding 4.1mln subs in 3Q20. Hulu's service just added 14 new channels this week as a result of a deal with **ViacomCBS**.

The big draw for live TV is sports and news, and Moffett believes that today's customer has little interest in watching scripted entertainment live. A research note from MoffettNathanson points out that as COVID-19 accelerates linear TV viewership declines, more general entertainment content shifts to streaming platforms, and television is evolving into a live news and sports bundle. "To support retrans growth, pay TV operators will need to carve off lesser watched cable networks while keeping core sports and news. In order to reach distribution, general entertainment networks will need to turn to streaming, which is set to fuel even greater demand for DTC services and erode the traditional TV bundle in a vicious cycle," it reads.

"I think the big theme that we saw in 2020, which will certainly continue into 2021, is the bifurcation of the market between sports and news versus entertainment," Moffett said. "I think that virtual

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**THE NETWORKS VIEWERS TURN TO  
FOR COMFORT, CONNECTION, AND CELEBRATION  
ALL YEAR LONG**

Top Row L-R: Candace Cameron Bure (2020 Hallmark Channel's 7 Night Thanksgiving Movie Event Preview), Jesse Metcalfe and Sarah Lind (A Martha's Vineyard Mystery), Rebecca Romijn and Jerry O'Connell (Hallmark Hall of Fame's Love Locks) Bottom Row R: Ving Rhames and Gloria Reuben (Hallmark Hall of Fame's Little John)

Source: Nielsen. Households, L+SD, Total Day (Mon-Sun/6a-6a), 2020 (12/30/2019 - 12/27/2020) Rank vs. all cable nets on AA(000). Nets that share a feed weight averaged to total day based on duration. All data is program-based.

MVPDs were created to solve a problem that doesn't exist. Customers frankly don't care whether the service is delivered by **YouTube** or by Comcast, what they're reacting to is the nonsensical nature of live streaming scripted content."

Customers that want to watch scripted entertainment are heading to streamers, and it's becoming clear there's an opportunity for OTT platforms to partner with traditional cable operators to increase distribution, similarly to the **CuriosityStream**/Altice USA deal in 2019. The newest entrant into the space, **discovery+**, launched Monday with distribution on nearly every platform, but notably no partnerships with traditional operators. Moffett believes that it's "inevitable" that streaming services will team up with MSOs.

"If only because the new services are going to have to leave no stone unturned in trying to find subscribers," he said. "**Netflix** grew when they had the field to themselves, Disney grew on the back of characters that had been built over 100 years. And **HBO Max** is now building a business on the back of tentpole franchises. Nobody else has that kind of firepower, so they're going to have to rely on clever marketing and distribution to find growth. Inevitably that's going to include cable operators and even satellite operators."

Comcast's Xfinity platforms added **Disney+**, **ESPN+** and HBO Max in December, and Cox was one of two operators that carried **Peacock** at launch. **Charter** is gearing up to launch the **NBCU** streamer. Heading deeper into 2021, expect to see more of this.

#### REACTIONS TO STORMING OF CAPITOL

The dust is settling after Wednesday's Capitol chaos, but the reactions have just started. **Comcast** CEO *Brian Roberts* expressed his gratitude to employees Thursday in an internal communication. "The values of our democracy must be upheld and I hope that we

can move forward together as a nation to build a better future," he wrote. "I am immensely grateful for our employees who continue to keep America connected and informed through more difficult circumstances than any of us could have ever imagined. You all make us proud." **C-SPAN** co-CEOs *Rob Kennedy* and *Susan Swain* spent the day connecting with many employees to thank them for their response to the crisis at the Capitol. They also sent a company-wide email, commending staffers for providing an important public service under enormous uncertainty. "It was also a highly emotional day for all of us, whose careers and interests are tied to that building. To see the Capitol violated in such a way was... well, there are so many words we can think of, so let's just say 'sad,'" they wrote. "While we hesitate to single out any individuals because so many made important contributions, we want to specially recognize our field colleagues who experienced the breach first hand and will have the story of a lifetime to tell...and *Greta Brawner*, who was the face of C-SPAN for so many hours on air yesterday." **Altice USA** CEO *Dexter Goei*, who signed a **NYC Partnership** letter earlier in the week urging Congress to certify the electoral results for *Biden*, was one of the many CEOs who reached out to employees following Wednesday's unrest. "The scene we watched play out in our Capitol was deeply disturbing and nothing short of an attack on American democracy. Now is the time for leaders throughout government, business and society to focus on bringing people together with respect and peace as we look to rebuild for a better tomorrow for everyone," he wrote. "At Altice, we know something about the importance and power of coming together—it is central to our mission and part of our DNA. So, in our own ways, let's continue to be examples for each other and

## Mark Your Calendars!

### Cablefax Award Submission Deadlines:

#### The FAXIES Awards

Entry Deadline: March 19  
Final Deadline: March 26

#### Cablefax 100 Nominations

April 9

#### Top Ops Nominations

April 23

#### The Diversity List Nominations

July 16

#### Most Powerful Women Nominations

September 10

#### Program Awards

Entry Deadline: November 19  
Final Deadline: December 3



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for our communities to reinforce the importance of togetherness and overcoming bias.” AT&T CEO *John Stankey* issued a statement Thursday morning applauding “all those who stood strong to thwart an appalling insurrection bent on blocking the peaceful transfer of power following a free and fair election.” AT&T said it fully supported a statement from the **Business Roundtable** that said it was clearly time for the nation and lawmakers to unite around Biden and Harris. The Business Roundtable, an association of CEOs of America’s leading companies, includes Comcast CEO Roberts, **Cisco** CEO *Chuck Robbins* and **Fox** chief *Lachlan Murdoch* among its members.

### TRUMP AND SOCIAL MEDIA

*Reed Hundt*, former **FCC** chairman under *Bill Clinton*, took to **Twitter** with some musings after **Facebook** and **Twitter** banned Trump’s account for at least 12 hours (Facebook announced later it would extend the ban of President Trump’s account at least through Inauguration Day). Hundt said that even without regulatory authority, nothing stops the FCC from “asking the media to help protect, defend the Constitution when, among other things, the Capitol is under attack...or threatened by attack.” He called on the FCC, Congress, and Defense officials, “especially those who have supported or been appointed by this president, to explain that the media may not offer a platform for the incitement of armed insurrection.” All of this happened while debate continues over Section 230, the provision that provides legal immunity from liability to internet services for content posted on the internet. Rep *Lance Gooden* (R-TX) reacted to the news of Facebook extending its ban of Trump’s account by calling for Congress to repeal Section 230. “We cannot allow Big Tech to SILENCE the leader of the free world,” he tweeted. The Senate voted 81-13 on New Year’s Day to override Trump’s veto of the annual defense bill. Trump vetoed it in part because it didn’t include a provision to eliminate Section 230.

### STRUUM TO LAUNCH THIS SPRING

Former **Disney** and **Discovery** execs announced a new venture Thursday that promises to bring the model of **ClassPass** to the streaming universe. Called **Struum**, the service would give users credits they could use to stream individual titles and shows across streamers without having to purchase individual subscriptions. The industry veterans behind the project include former **Discovery Ventures** head, product *Lauren Devillier*; former **Discovery Networks** evp, strategy, revenue and operations *Paul Pastor*; former **Walt Disney International** vp, product and technology *Eugene Liew*; and previous **Disney** head, advanced product development for Disney Parks, Experiences and Products. Investors include **The Tornante Company**, investment syndicate **Gaingels** and **Firstlight Media**, which will build up the company’s technology platform. Struum claims to have secured licensing deals with more than 24 content services, and is expected to launch in early spring

### DISTRIBUTION

**NBCUniversal** and **Charter** signed a new multi-year distribution agreement that includes the full portfolio of networks. As part of the deal, Charter will make streamer **Peacock Premium** available for an extensive, extended free trial to its broadband and video subs.

Exact timeframe hasn’t been announced and it will likely vary by service tiers. Charter also will distribute the Peacock app via its guide platform in the future. – **Vevo** and **Comcast** have reached a distribution deal that includes the former’s 24/7 streaming channels. Comcast X1 and Flex customers will be able to access the channels as well as Vevo’s on-demand programming. As part of the deal, Vevo will be able to sell advertising against that programming.

### SCRIPPS WRAPS ION DEAL

**Scripps** and **Black Diamond Capital Management** closed its acquisition of **ION Media Networks** Thursday. Scripps is combining ION with the **Katz** networks and **Newsy** to create a national television networks business. The new national networks business is being led by pres, national networks *Lisa Knutson*, who previously served as CFO. The transaction was financed with \$800mln in term loans, \$550mln of secured notes, \$500mln of unsecured notes, a \$600mln investment firm **Berkshire Hathaway** in preferred stock and cash from the balance sheet. Scripps has also completed the sale of 23 ION-affiliated TV stations to **INYO Broadcast Holdings**, a Salt Lake City-based station operator.

### NEXT GEN TV’S EXPANSION

America’s broadcasters are continuing to push the rollout of ATSC 3.0, also known as NEXTGEN TV, and hope to expand it to around 20 more cities by the end of the summer. **Pearl TV**, an industry group that counts **Cox Media Group**, **Sinclair** and **Scripps** among its members, has kicked off a promotional campaign that includes a new consumer website with information about what cities have the service and where to find NEXTGEN TV receivers.

### RATINGS

Wednesday’s coverage of the pro-Trump riots at the Capitol was **CNN**’s most-watched day in network history, with 5.04mln total viewers tuning in. The net beat **MSNBC** and **Fox News** in both total day and prime. In total day, MSNBC followed with 3.873mln (its highest-rated day in network history) and Fox News with 2.86mln. In prime, CNN led with 8.203mln viewers, followed by MSNBC with 7.382mln and Fox News with 4.577mln.

### STARKS, POWELL TALK BROADBAND

**FCC** commish *Geoffrey Starks* took to **Twitter** Thursday to say he had a “great conversation” with *Michael Powell* and **NCTA** about maximizing participation in the FCC’s Emergency Broadband Benefit. “This benefit will be vital to the tens of millions of Americans who don’t have broadband at home—and need it more than ever during #Covid19,” he said. Asked about the tweet, NCTA characterized the conversation as “terrific,” adding the funding can help bolster ongoing cable efforts to make sure that consumers remain connected. The FCC is seeking comment on how to best administer a new \$3.2bln Emergency Broadband Benefit Program created by Congress to help low-income consumers access the Internet.

### PEOPLE

Happy trails to **Cablefax** associate editor *Mollie Cahillane*. She starts Monday with *Adweek* as Convergent TV Reporter, covering all types of TV news with a focus on the connected TV space. We’ll miss her energetic reporting at **CFX**—as well as her detailed *Taylor Swift* music reviews.

# PROGRAMMER'S PAGE

## 'Coyote' Hits on Humanity

If you're looking for a light binge, 'Coyote' isn't it. The six-episode melodrama, following an unhappily retired border agent forced to work for the very people he spent his 32-year career trying to keep out of America, landed on **CBS All Access** on Thursday. Shot in Mexico, the series stars Emmy-winner *Michael Chiklis*, thrown into circumstances that compel him to help a pregnant Mexican teen on the run from the cartel cross into America. "We set out to tell a nuanced story that didn't inflame people about a national wound," said co-creator, showrunner and ep *David Graziano*. "That wall is a national wound for both sides on it." The series was originally set for 10 episodes on **Paramount Network**, but the pandemic threw a wrench in the plans. Thankfully, enough of episode 7 had been shot for the first season to come to a conclusion before the COVID-19 outbreak. "It's not my ideal season-ender for the show, but something that approximates an ending," said Graziano. "At least it's enough to tease people back." Graziano certainly plans on further seasons of *Coyote*, noting the characters have a lot of room for development. "[It's] like the topic sentence of a story that I want to go on for quite some time," he said. "We purposely started people at a place where they need to grow and change and they're not remotely there yet." It was important to the team that the show was shot in Mexico for authenticity. "The show in some ways is about one man getting seduced by Mexico. We knew it was important to put the viewer in the country that we wanted them to fall in love with too," said Graziano. And if he could describe the show in three words? "Brown, white, red," he said. "It doesn't matter the color of your skin, your national identity, the country you're from, the class that you grew up in. The central message of the show is there's a fundamental underlying humanity to everybody, and we all bleed red at the end of the day. The goal is not to piss people off, the goal is to hold a mirror up to something that needs a mirror held up to it." – *Mollie Cahillane*

### REVIEWS

"Frontline: A Thousand Cuts," Friday, **PBS**. Prior to Wednesday's events on Capitol Hill, this film was pitched to critics as a short doc about press freedom in the Philippines. Its likeable protagonist is journalist *Maria Ressa*, CEO of an independent social media site called "Rappler." Her battle to expose illegal acts of the country's populist president, *Rodrigo Duterte*, particularly around his war on drugs, makes for a compelling story. Now, though, when American viewers see footage of Duterte abusing members of the media, and using phrases like "fake news," they're forced to think of recent events here at home. The tragedy of January 6, 2021, and what contributed to it, doesn't diminish this fine film from director *Ramona Diaz*, it enhances it. Still, comparisons of free speech and democracy in the US and the Philippines are inevitable. Following the film, Ressa, Diaz and *Christiane Amanpour* will discuss the implications for democracy the media is threatened and mis and disinformation on social media flourishes. – "Bobby and Giada in Italy," streaming from Jan. 4, **Discovery +**. Ignore the gossip about *Bobby Flay* and *Giada De Laurentis*, this is a delicious series. Of course, it's hard to miss with a series about Italian food. Knowing out where these famous foodies eat when in Italy is almost as good being there. Almost. – *Seth Arenstein*

BASIC CABLE P2+ PRIME RANKINGS* (12/28/20-01/03/20)		
MON-SUN	MC US AA%	MC US AA (000)
ESPN	1.973	6,076
CNN	0.577	1,777
FNC	0.563	1,734
MSNBC	0.452	1,392
HALL	0.432	1,330
HGTV	0.413	1,271
TNT	0.355	1,093
TLC	0.306	944
HIST	0.301	927
TBSC	0.280	863
DISC	0.269	828
FOOD	0.243	749
ID	0.234	720
USA	0.225	694
INSP	0.203	625
HMM	0.198	611
LIFE	0.188	578
AMC	0.172	528
SYFY	0.170	522
TVLAND	0.165	508
FX	0.161	495
A&E	0.152	469
FRFM	0.144	444
E!	0.142	437
BRAVO	0.138	425
NAN	0.131	402
ADSM	0.127	392
APL	0.126	389
WETV	0.126	389
TRAVEL	0.125	384
BET	0.118	363
GSN	0.114	352
NICK	0.113	347
NATGEO	0.112	345
NGW	0.109	337
COM	0.103	319
PARA	0.103	318
NBA	0.100	307
SCI	0.099	306
SUN	0.096	296
NKJR	0.091	279

\*P2+ L+SD rankers are based on national Nielsen numbers, not coverage.

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