

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## 'Tis the Season: Disney+

### Ad-Supported Tier Coming in December

**Disney+** is making a splash this holiday season, setting the launch of its ad-supported tier for Dec. 8.

The standalone AVOD tier will be priced at \$7.99/month and no plans for annual pricing have been announced. With the introduction of the tier will come a new slate of subscription plans across Disney+, **Hulu**, **ESPN+** and the **Disney Bundle**. But Hulu's U.S. subscribers will see an increase in their bills prior to the AVOD's introduction. Effective Oct. 10, Hulu's ad-supported tier will cost \$7.99/month or \$79.99/year while its ad-free tier will be available for \$14.99/month.

Disney CEO *Bob Chapek* said during the company's 3Q22 earnings call Wednesday the tier will launch with a lower ad load and frequency in order to ensure the viewing experience still feels premium, and he feels confident that Disney offers the best value in streaming. There will be no ads at launch on the profiles of kids or preschoolers.

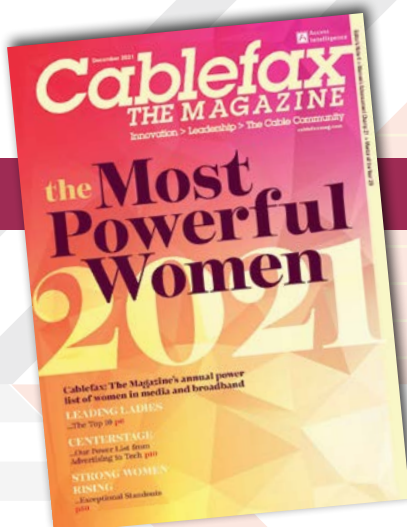
"We are walking before we run in terms of seeing what the market will bear in terms of ad load, so we're going in very conservative up front. But we believe that there's probably going to be some more elasticity in that as we go forward," he said. "Advertising demand since the launch of Disney+ is great, and we think that by taking a conservative approach in terms of that ad load up front, it'll give us the ability to expand if we need to and not have to go the other way, which I think would be a much bigger deal."

CFO *Christine McCarthy* added that Disney has been able to learn a lot from Hulu on the advertising front. Hulu's ad-supported tier has attracted approximately two-thirds of the platform's total subscribers, so she expects Disney+'s equivalent to be quite popular. "We can't anticipate that we'd have exactly the same behavior because it's a different demo... but that's the best indication that we have," she said.

Direct-to-Consumer revenues for 3Q22 rose 19% to \$5.1 billion. The company added 15.5 million subscriptions in the quarter, including 14.4 million Disney+ subscribers. Excluding the Disney+ Hotstar offering, Disney+ now counts 93.6 million global subscribers. As for the company's other streamers, ESPN+ now sits with 22.8 million subs, Hulu's SVOD-only subscribers came in at 42.2 million and Live TV+SVOD subs surpassed the 4 million mark. As of the close of 3Q22, the company has 221 million total subscribers across its streaming offerings, beating out Netflix's 220.67 million global subscribers.

Domestic Channels revenues rose 2% to \$5.7 billion and operating income increased 15% thanks to higher results across both cable and broadcasting. The boost in cable was largely due to growth in ad revenue thanks to increased rates and higher impressions as well as a decrease in marketing costs and increased affiliate revenue.

Disney is continuing to look into other emerging areas of business, including sports betting. Chapek said the company has been in conversations for quite a long time with a number



## Nominate for The Most Powerful Women

Every year, Cablefax recognizes the Most Powerful Women in the industry across all disciplines including advertising, communications, corporate culture, sales, content, consultants, distribution, digital, finance, legal, operations and more.

**Deadline: Friday, August 12 to submit three entries for free. [www.CablefaxWomen.com](http://www.CablefaxWomen.com)**

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of different platforms, and he thinks it is an important value add for the **ESPN** audience. “We have found that basically our sports fans that are under 30 absolutely require this type of utility in the overall portfolio of what ESPN offers,” Chapek said. “We’re working hard on it and we hope to have something to announce in the future in terms of a partnership there that will allow us to access that revenue stream.”

Disney is also reviewing how it approaches sports rights and is attempting to plan for the future of the direct-to-consumer marketplace, particularly as entrants like **Apple** and **Amazon** make bigger plays in the space. But that doesn’t mean it is abandoning linear rights at ESPN. “I think the way we’re looking at this is that we want to proactively prepare for that future without prematurely disrupting the cash flow that we get from the linear networks right now,” Chapek said. “We believe there’s tremendous degrees of freedom in terms of what ESPN DTC ultimately looks like. I think we’re very proud of what we’ve done to date on ESPN+, but that in no way limits how we envision what a true ESPN DTC proposition would look like going into the future.”

#### STARLINK, LTD BROADBAND LOSE RDOF MONEY

The Rural Digital Opportunity Fund received a major shake-up Wednesday with the **FCC** announcing its rejection of **LTD Broadband** and **Starlink’s** long-form applications to receive support through the program. After reviewing both applications, the Commission determined that funding for the networks would not be the best use of Universal Service Fund dollars and the providers failed to demonstrate they could deliver the service promised through their winning bids. Starlink was one of the top winners in the auction, winning more than \$885 million in subsidies. “Starlink’s technology has real promise. But the question before us was whether to publicly subsidize its still developing technology for consumer broadband—which requires that users purchase a \$600 dish—with nearly \$900 million in universal service funds until 2032,” FCC Chair *Jessica Rosenworcel* said in a statement. As for LTD, a small fixed wireless provider that emerged as the largest winning bidder in the auction with more than \$1.32 billion in subsidies, it failed to receive eligible telecommunications carrier status in seven of the 15 states in which it won bids. That rendered it ineligible to receive support for those states, but a larger review by the Commission determined LTD was not reasonably capable of deploying a network required by its winning bids. The FCC separately announced that it is ready to authorize more than \$21 million in funding to three companies to deploy gigabit service in nearly 15,000 locations in Tennessee, Texas, Utah and Wyoming. To date, the FCC has approved around \$5 billion in RDOF bids.

## The WHO and the WHY

CFX’s spotlight on recent new hires & promotions



ETTIENNE  
**Brandt**  
EVP OF COMMERCIAL  
FRONTIER COMMUNICATIONS

#### 3 THINGS TO KNOW

- Frontier Communications named Etienne as EVP of Commercial, where he’ll lead the company’s enterprise and SMB market within the commercial group. He’ll report to CEO Nick Jeffery.
- He garnered much of his leadership experience in the U.K. but has also spent time in South Africa. He was GM, CAN & Cellular for Edcon and Chief Credit and Risk Officer at Cell C before returning to London to work for EE, a brand of British Telecom. Etienne became responsible for EE and BT’s consumer sales channels and commercial trading performance in 2018, and while there, he created a broadband business strategy that reduced churn and was able to spark growth at BT broadband after a stagnant four years.
- Etienne was most recently Chief Commercial Officer for Enjoy Technology, an in-home technology sales and installation company. His new position will be based out of Dallas, Texas.

#### CROWN MEDIA NO MORE

**Crown Media Family Networks** is entering into its next era with a sparkling new name. The company will now be known as **Hallmark Media** in a move that will bring it closer to its parent company Hallmark Cards. “It’s meaningful to have the Hallmark name front and center,” Hallmark Media CEO *Wonya Lucas* said during a presentation at the **TCA** Summer Tour. “When you say Hallmark, no caveats or ‘home of’ references are required. People know what they’re getting.” The programmer is continuing to push forward on extensions of brands like **Mahogany**, which will be focused on Black culture, and is eyeing opportunities to develop more content centered around **Crayola** and faith-based **DaySpring**. Hallmark Media also used the TCA panel to announce the launch of a female-focused effort to create opportunities for aspiring filmmakers. Called “Make Her Mark,” the program will allow women to shadow established directors on Hallmark sets to learn the process through pre-production, production and post-production. **Hallmark Channel** or **Hallmark Movies & Mysteries** will then employ the mentee to direct their own movie with their former mentor shadowing the production in the role of creative producer. Hallmark Media will announce the first pairings later this year.

**VERIZON'S GRILLO BACKING FEDERAL PRIVACY BILL**

**Verizon** SVP, Public Policy and Government Affairs *Kathleen Grillo* is one of the many cheerleaders hoping Congress's most recent attempt to pass privacy legislation is successful. During an appearance at a **Media Institute** luncheon Wednesday, she voiced her support for the American Data Privacy and Protection Act, which was passed by House Commerce in June. Grillo said it has become increasingly clear that the country's current policy framework isn't sufficient in safeguarding consumer privacy, especially in the digital age. And while questions remain about exactly how or whether federal legislation could live alongside state efforts to regulate, she believes the current proposal would supersede state laws. "I think that's the case with the current draft on the House side. But I think more importantly is a national standard that would apply everywhere across the country and that certain duties, certain obligations and certain rules would apply comprehensively," she said. "I think the key is just to have a national standard that addresses a lot of different scenarios and protects consumers everywhere in the country." She would prefer that any privacy proposal designate the **FTC** as the agency in charge of enforcing a national standard. Grillo believes it is the expert agency on the matter, and it doesn't have ties to any specific industry. The FTC has also proven that it is unafraid to go after those that violate the law, and her expectation would be that the agency would engage with strict and vigorous enforcement. "Whether you're a telecom company, a tech company, Walmart or Amazon, whatever it is, the standards that are adopted would be enforced across the board. That's really the kind of uniformity and protections that we're looking for consumers, and the FTC has that expertise and has the staff... who really is familiar with these issues and has been for years," she said.

**FOX NOT AFRAID TO SPEND ON SPORTS**

There's plenty of talk around the rising cost of sports rights these days, and **Fox Corp.** maintains that it takes a scientific approach when it comes to obtaining additional rights. "We're always going to look at sports rights as they become available," CEO *Lachlan Murdoch* said during the company's earnings call Wednesday. "We've been very disciplined in terms of how we analyze and how we think of acquiring any additional incremental sports rights. We look at [what] any individual sport can achieve both in terms of audience and advertising revenue." Beyond those two guidelines for what a sport can do for Fox, Murdoch said it also analyzes what it can get from a subscriber that would be attributed to an affiliation agreement with a distributor. Fox Corp. reported \$3.03 billion in total revenue for 4Q22—a 5% YOY increase compared to \$2.89 billion. Affiliate fee revenues grew from \$1.67 billion to \$1.73 billion, with the television and cable network programming segments improving by 7% and 2%, respectively. Fox also saw bumps in advertising across segments as political ad revenue continues to gain momentum ahead of the midterm elections. "This stability in the base market provides a good

foundation for the upcoming political cycle, where the outlook is remarkably strong," Murdoch said. "On a comparable basis, our June quarter political advertising revenues were roughly three times larger than those of the fiscal fourth quarter of the last presidential election, which turned out to be an all-time record political cycle for the company." Cable network ad revenue was \$358 million with TV ad revenue coming in at \$698 million. That \$1.05 billion total is a 9% increase YOY, which was also helped by higher pricing across news and sports networks.

**GOOGLE FIBER CHARTS PATH FORWARD**

**Google Fiber** is looking to expand, and it has set five states as its target growth areas for the foreseeable future. The provider is talking to city leaders in Arizona, Colorado, Nebraska, Nevada and Idaho about the prospects of bringing fiber-to-the-home service to their communities. "These states will be the main focus for our growth for the next several years, along with continued expansion in our current metro areas," Google Fiber CEO *Dinni Jain* said in a blog post. "We're thrilled to be expanding our geographic reach once again—bringing better internet to more people in more places." Jain also said Google Fiber wants to talk to communities that want to build their own fiber networks and look at potential partnerships. "We've seen this model work effectively in Huntsville and in West Des Moines, and we'll continue to look for ways to support similar efforts," he said. He also teased more news to arrive in the coming days about new Google Fiber deployments, faster speeds and updates to its customer service.

**TCA NOTEBOOK**

**AMC Networks** renewed **Acorn TV's** "Harry Wild" for an eight-episode second season that will arrive on the platform next year. The show's first season has been sampled by more than 40% of Acorn TV subscribers. **Sundance Now** has also commissioned two new series scheduled for 2023 releases: "Totally Completely Fine" and fantasy mystery "Sanctuary." AMC Networks renewed short-form digital series "Cooper's Bar" for a second season, and revealed the premiere dates for a number of series across its linear and streaming properties. Coming Oct. 2 at 9pm will be "The Walking Dead" Season 11C. The first two episodes will be available at that time on **AMC+** with subsequent episodes available one week early on the SVOD.

**CARRIAGE**

*The Hill*, a **Nexstar Digital** subsidiary, launched a streaming channel on **Plex**. **The Hill TV** will feature the morning program "Rising," policy roundtables and series that explore various political topics. Additionally, highlights from Sunday talk shows produced by certain Nexstar stations will be featured.

**PROGRAMMING**

"Hard Knocks In Season: The Arizona Cardinals" returns to **HBO** on Nov. 9, available to stream on **HBO Max**. - **discovery+** docuseries "House of Hammer" centered on allegations that have been made against *Armie Hammer* will debut Sept. 2.

# Think about that for a minute...

## Recalculating

Commentary by Steve Effros

The “inflation number” for last month just came in. It was zero! The reporters, regulators and politicians have no idea of what to say. After all, for the past several months the word “recession” has been the favored fear inducer and now, suddenly, there is a recognition that employment figures continue to skyrocket and now inflation, while still high for a yearly calculation, has dropped like gas prices. How are we supposed to make any sense of all this when “reporting” and “politics” is offered almost exclusively in sound bites which provide virtually no context or deeper explanation.

I sympathize. Economists have never been able to explain their “art.” It certainly isn’t a science! And the other folks who bandy numbers around are doing it almost entirely to further their own self-interest. Reporters to get folks to watch or listen, politicians to “prove” their position, whatever it happens to be on any given day (and as we recently witnessed in a US Senate vote, they can righteously switch from “yes” to “no” to “yes” as a group in less than a week!) and the regulators (pity the poor Fed) are stuck trying to create policies for what they think is going to happen, but never quite guess right... who knew Putin would really invade and totally disrupt the oil market?

OK, so why go through all that? Because the “average consumer” of things or information or services is beginning to learn that the “experts” leave a lot to be desired. We “just plain folks” are starting to realize that it’s time for a major reassessment of things to see what makes sense. When the GPS in your car suddenly can’t figure out why you made a turn, the term “recalculating” pops up. Well, a lot of us are “recalculating” these days, and it’s going to have a significant impact, I suspect, on our business, as it should.

I, for one, finally started looking at all the various video services I pay for. Without getting into the details, I can tell you I’m paying way too much for what I actually use. The response is going to be, most likely, that I stop taking a massively bundled service that includes lots of hardware and move to a service that provides the few channels we really want along with the

ability to record, save, schedule, etc., without having to have any “set top” equipment that costs me more than it should every month!

It was also pointed out to me that I really could install my own “mesh” WiFi network at home for a one-time cost and stop paying monthly for something that constitutes a very nice add-on for broadband operators but at a price for the service being provided that is not commensurate. And then there are all the “plus” services, Disney, HBO, Paramount, and so on. Do I really use them enough to justify the cost?

Finally, there are what I call the “fear and convenience” charges. Apple, Google, Dropbox, McAfee and the like all want to charge me (and do, at the moment) a buck or two a month for “extra” security or cloud storage to make sure I don’t “lose” my pictures or the settings for my phone. True enough, I don’t want to lose that stuff, and it’s certainly convenient to be able to buy a new phone and have all the settings instantly ported over. But consider how many iPhones, for instance, are being used, (it’s estimated at around 900 million worldwide) and how much Apple is making by charging an extra two bucks every month for many of them! That’s quite a deal, but not for consumers!

Just a word of warning to my friends in the industry: recalculating. It’s going to start happening, big time. Be prepared.



*Steve*

T:202-630-2099  
steve@effros.com

(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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