

CableFAX Daily™

Friday — January 9, 2009

What the Industry Reads First

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Delay Tactics: Cable Says It's Ready When You Are

Could Feb 17 be just an ordinary day? Many pundits have expected last-minute rankling over the DTV transition, but the consensus had been that it would be more of a CYA move than an actual delay of the date set by Congress more than 3 years ago. But the mood changed Thurs when President Elect *Obama's* transition team asked that Congress consider changing the mandated analog cut-off date, citing "major difficulties" in the preparation for the conversion. Cable is maintaining the stance it has had throughout the whole process: when the gov't's ready to make the switch, so is cable. "Our total focus has been and continues to be on ensuring that the transition is seamless for our customers, and that all Americans are aware of any steps they need to take to address the transition. If the transition date is moved, cable companies will continue to work as hard as they can to help Americans achieve a smooth DTV transition," NCTA chief *Kyle McSlarrow* said. Investment firm **Stifel Nicolaus** views the delay as likely, but doesn't anticipate it being longer than 3 months. However, it warned that an extension does open up the possibility of dragging out the transition longer. That would be a negative for cable ops looking to win rabbit ear customers and for **Verizon** and **AT&T's** 4G buildout with 700 MHz spectrum, a research note said. The primary problem is that the gov't's digital converter coupon program has run out of funds, with more than 1mln requests on a wait list. Obama's team supports waiving the Anti-Deficiency Act—a gov't accounting requirement that requires all outstanding coupons be accounted for as spent money, even though the current rate of redemption is 53%—but says that waiver isn't enough. "Coupon demand appears headed to a level that will exceed that authorized by Congress," transition team co-chair *John Podesta* wrote in a letter to House and Senate leaders. "In addition, the government's programs to assist consumers through the upheaval of the conversion are inadequately funded." He said part of Obama's economic stimulus package contains resources to address these issues. Rep *Joe Barton* (R-TX), who was instrumental in the '05 passage of the DTV bill, blasted the idea. Barton said he's working on an accounting bill to free up coupons. "That's the right thing to do. Ditching the deadline and slathering on more millions of taxpayer dollars, however, is just panic," Barton's statement read. Outgoing House Telecom subcmte chmn *Ed Markey* (D-MA) said Congress should immediately consider the feasibility of Obama's request. Not surprisingly, **CEA** disagrees with moving the date, saying it would cause mass confusion for the "more than 90%" of Americans that have taken steps to prepare. Data from **Nielsen** for Dec shows that about 7.8mln HHs, or 6.8% of US TV homes, are completely unprepared.

Wrong Address: The refrain is becoming repeated as a commercial slogan: Advertisers are not up to snuff when it comes to developing content for addressable advertising. *Davina Kent*, dir, strategic planning at **Comcast Spotlight**, and *Barry Frey*, **Cablevision** svp, advanced platform sales, repeated the mantra at a **CES** session Thurs. Kent noted that although addressable ads in **Comcast's** trial markets are getting 38% higher retention rates than their nonaddressable counterparts, "the creative needed to fulfill addressable advertising is not there." Frey likened advertisers' approach to address-



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able, interactive content to the early days of television where companies simply repurposed their radio message on the new medium until they wisened up. "Not only have advertisers largely not figured out how to develop different creatives, but even with regard to VOD in many cases, the media people are becoming a lot more creative than the creative community," he said. In fairness, despite inroads by David Verklin and company, addressable technology itself is not ready for prime time. Kent said Comcast is having success across its footprint with zone-based targeting that aims ads at specific subdivisions in a given market. "One DMA may have 5 different zones," she said. "This seems easier to swallow right now while the addressable household technology is being developed." - *Catherine Applefeld Olson*

CES Buzz: Microsoft's "Mediaroom Anytime" takes time-shifting TV to a whole new level by letting viewers access previously aired shows from IPGs without any preplanning or prior DVR recording. It also will let you immediately restart currently airing shows, much like **Start Over**. Microsoft said the platform now reaches nearly 2.5mln homes worldwide. Asia's **Sing Tel** plans to trial the features this year, with plans to offer it to subs in '09. Also garnering much buzz is **EchoStar's** "SlingLoaded 922 HD DVR," which it says is the 1st HD DVR to be able to send TV signals to computers, mobile devices, etc. It has a 1 terabyte hard drive for up to 1K hours of storage and can support and external hard drive for even more storage. **DISH** will start deploying the boxes this spring. Meanwhile, EchoStar says it will unveil a tru2way SlingLoaded box for trials in the cable industry this spring.

On the Hill: The change-ups on the Hill continue with Rep *Rick Boucher* (D-VA) taking over the House Telecom Submte. Telecom's long-time chmn *Ed Markey* (D-MA) will become chmn of the Energy and Environment subcmte, formerly chaired by Boucher. The two are set to switch gavels on Jan 11.

Competition: **Verizon** used **CES** to announce that it now offers 100 or more channels of HD in every market where its **FiOS TV** service is offered. It also said customers now have the option to remotely control their DVRs online or via select **Verizon Wireless** handsets. There's no additional charge for the feature.

VOD: **Grace Creek Media**, the new owner of **Sportskool**, has tapped **TVN** to support all its VOD initiatives. This includes the relaunch of Sportskool, which Grace purchased from **Rainbow** in Oct.

TCA Notebook: With everyone talking about cutbacks (so many nets pulled out that cable **TCA** is just 2.5 days and sans evening events), it seemed fitting for **WE tv** to kick off things by touting weight-reducing series "I Want To Save Your Life" (premieres Apr 25). The series features compassionate diet detective *Charles Stuart Platkin* guiding heavyweights to reform their lifestyles and daily "microchoices" rather than attempting radical crash diets that may work quickly but usually aren't sustainable. And props to WE for serving an ultra-healthy (and tasty) lunch of grilled chicken (185 calories), brown rice (218 cal), steamed vegetables and fruit. But lithe WE chief *Kim Martin* gets the Pinocchio award for telling critics, "C'mon, face it, we're at TCA and we all gain a few pounds here." -- While President-Elect *Barack Obama* made a major economic speech, TCA listened and responded. **Rainbow** chief *Ed Carroll* noted that despite a struggling economy, Rainbow will continue to invest heavily in originals, including **AMC**, which in '09 will make its largest programming investment. Also investing in originals are Sundance and IFC, which drew a large number of critics for its session. **Sundance** pushed season 3 of its Green block, with the return of *Isabella Rossellini's* "Green Porno," where the gorgeous Italian actress portrays the sex lives of animals. Her mission is to make Green fun, she says. (Hearing Ms Rossellini explaining how difficult



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it is to play an anchovy in her stately Italian accent has been one of the early highlights of TCA.) Interestingly, Sundance has green series that seem a bit opposed. “Eco-Trip” host *Dave de Rothschild* seems to blast our environmental practices, while *Josh Dorfman* of “The Lazy Environmentalist” provides easy ways to help the environment. Dorfman agrees many solutions aren't easy, “but we're not doing them,” so he provides things to do right now to help the environment.

CES Notebook: CEA predicts domestic shipment revenues for '09 will remain relatively flat at \$171bln. That compares to last year's '08 total of \$172bln, a 5.4% YOY increase. Digital TV displays continue to be the primary driver. -- **Verizon** CEO *Ivan Seidenberg* picked up the Lifetime Achievement Award at the **National Academy of Television Arts & Sciences'** annual Technology & Engineering Emmy Awards Wed night. Among the winners of Emmys are **Time Warner Cable, S-A, Tandberg, AT&T, Showtime, CNN, MTV** and **Bravo**. Check out all the winners at www.emmyonline.tv. -- **The Open Mobile Video Coalition**, an alliance of broadcasters dedicated to advancing the development of DTV to mobile devices, said a 1st wave of broadcasters (63 stations in 22 markets) have committed to launching mobile DTV services this year. The 63 stations include 14 **NBC** affils, 9 **ABC** affils, 9 **CBS** affils, 5 **FOX** affils, 9 **ION** affils, 4 **CW** stations and 4 **MyNetworkTV** stations, along with 9 additional **PBS** stations that are in discussions to join the launch.

Launch Pad: **DirecTV** added **Southern Entertainment Group's Artist and Fans Network** on Channel 325. The channel is one of the DBS provider's “occasional infomercial networks,” meaning DirecTV sells airtime to the channel, which is available to all packages, but may come and go as transmission capacity permits. AFN is a 24/7 country music video channel that promises no reality shows or infomercials. Alabama-based Southern Entertainment is headed by entrepreneur *David Harrison*, who launched the channel on the Web a year ago. Harrison said he's talking to cable operators, but had no announcements at this time.

In the Courts: **Charter** has filed a complaint against **Verizon** in a VA Federal Court, alleging the telco's **FiOS TV** service infringes on 4 of its patents covering VOD and other tech. The MSO is seeking monetary damages and a permanent injunction.

Retrans: **DirecTV** and **CBS** affil **KXJB** in Fargo, ND, are embroiled in a retrans dispute that will see the station pulled if a deal can't be completed by Thurs evening. “We have been attempting to negotiate in good faith with the owners of KXJB, but to date, their carriage fee demands have been nothing short of outrageous,” said the DBS op. “We remain willing to carry the channel while both parties negotiate in good faith.” -- **DISH** has come to terms on a retrans pact with **ABC** affil **KTKA** in Topeka, KS.

In the States: Through pending rollouts in markets including Boston, Cleveland, Houston, Miami and San Francisco, **MediaFLO USA** plans to make its **FLO TV** mobile video service available to more than 200mln consumers across more than 100 markets in '09.

Ratings: Perhaps lost in the holiday hullabaloo, **USA** won the year in prime with a 2.2/2.12mln, followed by **Disney** (1.9/1.79mln) and **TNT** (1.8/1.69mln). **ESPN** (1.7/1.60mln) and **Fox News** (1.7/1.60mln) tied for 4th to complete the top 5. Compare to '07 results: **Disney** (2.2/2.01mln), **USA** (2.1/2.0mln), **TNT** (1.8/1.68mln), **ESPN** (1.6/1.49mln) and **TBS** (1.5/1.37mln). As for distribution, the following enjoyed notable HH growth during '08: **The N** (27mln), **Gospel Music Channel** (21.1mln), **Lifetime Movie Net** (8.9mln), **Golf** (6.4mln), **Fuse** (5.4mln), **Bio** (5.3mln) and **Discovery Health** (5.2mln). -- **Brag Book:** **A&E** achieved its best year in history among all key demos, including 18-49s (665K) and 25-54s (690K). -- **History** posted a historical best year among all key demos, including 18-49s (531K) and 25-54s (583K). -- **E!** delivered its best year ever in total day viewership (347K) and HH ratings among 18-49s (0.21) and 18-34s (0.24). -- **Style** posted yearly records in total day viewership (104K) and HH ratings among homes (0.15) and women 18-49

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BUSINESS & FINANCE

(0.13). -- **ABC Family** notched its most-watched year on record in prime among total viewers (1.31mln), 18-34s (316K), 18-49s (588K), 12-34s (518K), women 18-34 (208K), women 18-49 (376K) and females 12-34 (354K). -- During its inaugural season, "Whale Wars" became **Animal Planet's** most-watched series ever among 25-54s (529K) and men 25-54 (309K).

Programming: **HBO** will exclusively air the Opening Celebration for the 56th Presidential Inaugural Jan 18 and hopes to offer the telecast for free to multichannel subs across the country. The premium net said it's working with distributors to make that happen. -- **TNT** greenlit for debut later this year originals "Time Heals," a medical drama starring *Jada Pinkett Smith*, and "The Line," a police drama featuring *Dylan McDermott*.

People: *Monica Neal* was tapped as vp, emerging markets and partnerships, **TNT**, **TBS** and **TCM**.

Business/Finance: **Cablevision** subsidiary **CSC Holdings** is planning a \$500mln offering of sr notes to certain institutional investors, and intends to use the net proceeds to address its own and the MSO's forthcoming debt maturities. **Collins Stewart** views the news positively "because the Street had concerns about CVC's ability to pay off the \$1.7bln due, beginning in April 2009," and said the MSO remains 1 of its top picks. Investors cheered the plan, sending CVC shares up 15.9% Thurs.

CableFAX Daily Stockwatch

Company	01/08 Close	1-Day Ch	Company	01/08 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	29.02	0.55	AMPHENOL:	26.47	0.33
DIRECTV:	23.40	0.68	APPLE:	92.70	1.69
DISNEY:	22.90	(0.28)	ARRIS GROUP:	8.25	0.18
ECHOSTAR:	13.51	1.49	AVID TECH:	11.75	(0.01)
GE:	16.14	0.03	BIGBAND:	6.00	0.07
HEARST-ARGYLE:	6.36	0.11	BLNDER TONGUE:	1.09	0.07
MSOS					
CABLEVISION:	19.24	2.64	BROADCOM:	17.53	(0.3)
CHARTER:	0.22	0.04	CISCO:	17.54	0.22
COMCAST:	16.91	0.27	COMMSCOPE:	16.97	0.39
COMCAST SPCL:	16.24	0.20	CONCURRENT:	3.43	(0.41)
GCI:	8.61	0.18	CONVERGYS:	7.49	0.22
KNOLOGY:	5.25	(0.01)	CSG SYSTEMS:	16.29	0.03
LIBERTY CAPITAL:	6.22	1.12	ECHOSTAR HOLDING:	15.51	0.26
LIBERTY ENT:	19.01	0.85	GOOGLE:	325.19	3.18
LIBERTY GLOBAL:	19.61	2.08	HARMONIC:	6.46	0.04
LIBERTY INT:	3.60	0.11	JDSU:	4.85	0.12
MEDIACOM:	4.80	0.68	LEVEL 3:	1.32	0.36
SHAW COMM:	18.32	0.38	MICROSOFT:	20.12	0.61
TIME WARNER CABLE:	21.15	(0.41)	MOTOROLA:	4.53	0.10
VIRGIN MEDIA:	5.03	0.13	NDS:	57.00	0.10
WASH POST:	420.52	2.02	NORTEL:	0.29	0.01
PROGRAMMING					
CBS:	8.71	0.20	OPENTV:	1.21	0.01
CROWN:	2.52	(0.05)	PHILIPS:	20.28	0.14
DISCOVERY:	15.08	0.52	RENTRAK:	11.71	0.14
EW SCRIPPS:	2.13	(0.04)	SEACHANGE:	6.88	(0.07)
GRUPO TELEVISA:	15.10	(0.63)	SONY:	24.21	0.44
HSN:	5.97	(0.59)	SPRINT NEXTEL:	2.58	0.20
INTERACTIVE CORP:	15.66	(0.03)	THOMAS & BETTS:	24.98	0.53
LIBERTY:	28.47	0.27	TIVO:	7.35	0.24
LODGENET:	1.05	0.00	TOLLGRADE:	5.18	0.34
NEW FRONTIER:	2.01	(0.02)	UNIVERSAL ELEC:	16.00	(0.2)
OUTDOOR:	7.79	0.46	VONAGE:	0.63	0.00
PLAYBOY:	2.30	(0.1)	YAHOO:	13.07	0.36
RHI:	7.00	(0.21)	TELCOS		
SCRIPPS INT:	23.43	(0.24)	AT&T:	27.18	(0.03)
TIME WARNER:	10.39	0.10	QWEST:	4.04	0.46
VALUEVISION:	0.56	0.02	VERIZON:	32.39	0.49
VIACOM:	20.77	(0.2)	MARKET INDICES		
WWE:	11.06	(0.04)	DOW:	8742.46	(27.24)
TECHNOLOGY					
3COM:	2.56	0.02	NASDAQ:	1617.01	17.95
ADC:	5.69	(0.08)			
ADVANTAGE:	2.33	(0.01)			
ALCATEL LUCENT:	2.38	0.05			
AMDOCS:	20.87	0.05			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Record Straightening

We're all aware that broadcast nets are losing viewers, cable's making heady strides in original programming and sports content, and that several cable nets are impressively capitalizing on these trends. But as '09 begins to unfurl it would be folly to assume that audience growth on cable is now a given, or that the industry's upward trajectory is shockingly steep. Sure, cable's viewership health is attractive, particularly relative to the hacking and hobbled broadcasters, yet data shows it's more diet-conscious everyman than professional athlete. For all of '08, the top 10 cable nets in prime averaged 1.49mln total viewers, according to **Nielsen** data. The top 20 averaged 1.21mln. The corresponding '07 numbers, meanwhile, tally 1.41mln and 1.15mln. For you strict right-brainers, that equates to YOY gains of 80K (6%) and 60K (5%). Good, of course, but not great. Now, let's look at all cable nets over the past 2 years. From '06-'07, 47 channels achieved full-year increases in total viewers, while 20 experienced declines. Compare that to '07-'08, when 42 saw increases and 24 witnessed drops. Using prime ratings, 14 nets advanced from '06-'07 and 17 declined, while 8 moved forward and 7 retreated from '07-'08. Draw your own conclusions here, but note that larger cable nets are, by-and-large, the ones showing improvement in both metrics. To wit: 11 major ad-supported nets endured prime ratings slides from '06-'07, including **BET, Cartoon, ESPN, USA, FX** and **Life-time**; conversely, just 3 (**TV Land, Cartoon** and **A&E**) saw slides from '07-'08. Similar trending emerges when looking at the total viewership data, highlighted by the fact that 4 of the 7 major nets that saw significant (5% or greater) declines from '07-'08 were **MTVN** channels (**MTV, BET, VH1** and **TV Land**). In actual TV land, cable's no doubt the place to be. Just remember that it's not all sunshine and gravy. *CH*

Highlights: "Lost in Austen," US premiere, Sun, 8pm, **Ovation**. Few dare subject viewers to literature. Thank goodness for Ovation's "Tall, Dark & Classic" week, which begins by twisting a classic through this 4-parter about a *Jane Austen* junkie who time travels and becomes trapped inside "Pride and Prejudice." While only partially faithful to Austen's novel, it's refreshing entertainment and might encourage some to read or rediscover a classic. *SA*

Worth a Look: "Show Us Your Wits," Sat, 10pm, **Playboy TV**. A guy tries to answer trivia questions as a Vegas stripper gives him a lap dance, ending up naked. Bonus round? 2 strippers, ahem, entertain. We watched Wits for the questions. Honest. -- "The Exterminators," Wed, 10:30pm, **A&E**. A series about an exterminator? Yes it's offbeat, but entertaining and informative. Rodents urinate constantly. Who knew? *SA*

Farewell: "Stargate Atlantis," series finale, Fri, 9pm, **Sci Fi**. Fans wouldn't dare miss this action-packed 100th ep, as a slew of favorites (including *Amanda Tapping* as Col Samantha Carter) return for the finale where our heroes save Earth. Surprised? -- "Crash," season finale, Fri, 10pm, **Starz**. The hype is *Paul McCartney* single "Nothing Too Much, Just Out of Sight" will be featured. Does the song's title accurately describe the series' fate? *SA*

Basic Cable Rankings (12/29/08-01/04/08) Mon-Sun Prime			
1	ESPN	2.3	2244
2	USA	1.9	1887
3	TNT	1.8	1720
4	DSNY	1.7	1640
5	NAN	1.4	1383
5	HALL	1.4	1198
7	TBSC	1.3	1268
8	A&E	1.2	1201
9	LIFE	1.1	1099
9	FOXN	1.1	1093
9	FX	1.1	1080
12	TOON	1	1008
12	HIST	1	1006
12	FAM	1	1003
12	SCIF	1	987
12	AMC	1	977
17	SPK	0.9	920
17	TLC	0.9	919
17	HGTV	0.9	909
17	DISC	0.9	868
17	TRU	0.9	847
22	FOOD	0.8	744
22	CMDY	0.8	739
22	BET	0.8	665
22	LMN	0.8	566
26	CNN	0.7	735
26	VH1	0.7	653
28	TVLD	0.6	615
28	MTV	0.6	553
28	NOGG	0.6	445
31	HLN	0.5	534
31	BRAV	0.5	491
31	ESP2	0.5	474
31	MSNB	0.5	465
31	EN	0.5	456
31	NGC	0.5	376
37	APL	0.4	426
37	CMT	0.4	339
37	TTC	0.4	337
37	OXYG	0.4	321
37	WGNA	0.4	278
37	BIO	0.4	217
43	CNBC	0.3	253
43	GSN	0.3	239
43	SOAP	0.3	231
43	SPD	0.3	230

*Nielsen data supplied by ABC/Disney

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CORPORATE LICENSES



CableFAX Daily™

WHAT THE INDUSTRY READS FIRST.

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GUEST COLUMNIST

Switched Digital Video: More Than Meets the Eye

Switched digital video is touted as a critical bandwidth-saving tool for the cable industry. But if you believe that's all it does, then we've undersold the technology.

While there is wide consensus that switched digital video (SDV) has great potential as a means for saving bandwidth, that view alone is limiting. The real benefit of SDV is the intelligence it brings to the network; intelligence that can enable targeted, high-value content and prove that cable's pipes are anything but dumb.

Cable operators can reclaim up to 50% of their RF plant capacity by using SDV to switch on channels as needed rather than broadcasting every channel all the time. However, while increased bandwidth is critical for competing in today's video market, it won't bring in new customers, reduce churn or raise revenues on its own. Operators need more than simple capacity, and, fortunately, switched digital technology provides it.

Think about the mechanics of switched digital video. An SDV session manager continually evaluates—in real-time—what channel each set-top is attempting to switch to and directs the set-top how to tune to the channel. It is the perfect platform for specialized targeting of consumer content and applications. In a simple example, imagine selecting the top 10 most popular programs in a service group and using that data to determine what VOD packages to promote.

Going deeper, consider picking out the top 50 set-tops in a group that are tuning in to a particular program or channel most frequently and targeting premium content to that audience. Subscribers are open to paying more for content they want to watch. The evidence is in the history of pay-per-view and the continued success of the movie rental market.



Buddy Snow

The key is figuring what that content is and how to make it available. Switched digital video makes that possible.

Beyond offering targeted entertainment, SDV will also play an important role in cable advertising going forward. Cable companies are just beginning to explore the possibilities of advanced advertising applications—from geographic and demographic targeting to cross-platform promotions between video and Web properties. The real-time network intelligence that switched digital video provides will only enhance operators' abilities to get a healthy return on these applications and others. What better way to target advertising than by learning and understanding viewing behaviors?

It's the same lesson that advertisers and content providers have learned on the Internet. If you search on "Napa Valley," you might be interested in buying some California wine. If you watch a lot of re-runs of "Sex in the City," you might be interested in buying some of the brands sported by Sarah Jessica Parker.

In the short run, switched digital video will be adopted for its bandwidth-saving capabilities. More bandwidth means more high-definition and VOD content—important assets in today's market.

However, in the long run, the importance of the technology is far greater.

Consumer expectations for information and entertainment are rising rapidly. Switched digital video offers a built-in platform for delivering new, personalized experiences that not only meet those expectations, but promise new sources of revenue and a competitive advantage among broadband video providers.

(Buddy Snow is senior director, Motorola Home & Networks Mobility).

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