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What the Industry Reads First

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Electric Football: Amazon, NBC Offer Perspective on NFL Rights

The NFL season is more than halfway over, but **Amazon Video's** head of sports isn't showing any signs of whether the company will continue as the league's digital partner for "Thursday Night Football," or beyond, next year. "We're just learning right now," he said Tuesday at the NeuLion Sports Media & Technology conference presented by *SportsBusiness Daily/Journal*. "This has been great in the data we can collect and all the learnings we're getting from this. It's far too early for us to say what the next step is going to be," said Amazon's *Jim DeLorenzo*. It's clear that NFL was taken with Amazon's international reach, but there were other pot sweeteners—such as league branding on Amazon Prime shipping boxes, according to *Vishal Shah*, NFL svp, digital media. Something else Amazon brings to the table is access beyond mobile devices. While last year's digital partner, **Twitter**, saw usage almost exclusively in the mobile arena, Amazon goes beyond mobile with Fire TV and various device partners like **Roku** that put games on the big screen. On the technical side, the Amazon exec boasted that in certain instances on certain platforms, Amazon's NFL telecast is actually ahead of cable in terms of latency. Engagement right now is about 50 minutes on average. While the league wants to be in the digital sandbox, it doesn't sound like a digital-only package is around the corner (Amazon shares "TNF" night rights with **CBS** and **NBC**). "We continue to think some of the best days are ahead [for traditional TV partners] despite some shifts in the media landscape," Shah said. "We think there's marketplace and readiness there for exclusive digital packages, but overall we want to make sure we're driving value for our existing partners." One of those partners would be happy to see the end of "Thursday Night Football," but doesn't anticipate team owners getting behind that. "If it is going to exist, we want to be a part of it," NBC Broadcasting & Sports chmn *Mark Lazarus* said during a luncheon interview at the conference. He added, however, that "fewer windows would be better for the strongest possible schedules." He argued more people are watching football than ever—they are just watching fewer games. Earlier in the day, **NFL Network** and digital media pres *Maryann Turcke* batted down the idea that there may be viewer fatigue with games spread across multiple nights. "We have 256 games" compared to **MLB's** 2430 and the **NBA's** 1230, she said. "We are the definition of scarcity." One problem, she said, is when games become blowouts. "You're competing against 'I can pick up the next 2 episodes of 'Game of Thrones' or 'Stranger Things,'" she said. Lazarus didn't seem too concerned about the prospect of the NFL granting exclusive rights

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to a digital service in the near future. “From a league point of view, the decision is, ‘Do we want to take what has been incredibly successful for us, which is a broadcast television platform, and skip past cable into a potentially more narrow field for the reach of our games?’” he said. “I think part of the success of the NFL is that they have been predominantly a broadcast-dominated sport.”

Sports Conference Notebook: Charter CEO Tom Rutledge has an ally in his mission to knock down password sharing. David Preschlack, pres of NBC Sports’ RSNs and platform and content strategy, said the practice doesn’t benefit any stakeholder. Yet, “it almost feels like certain companies may be hesitant to draw a line in the sand because they’ll get backlash from consumers,” he said. “I’m not sure that’s the best way to deal with an issue when really at the end of the day, you’re rewarding bad behavior.” Preschlack said policing password sharing is a problem, but it’s getting easier with MVPDs able to identify exactly where logins are coming from. “It continues to provide a unique opportunity for many different parts of the business to come together and focus on something that’s going to make a difference,” he said. NBC Sports recently launched its first direct-to-consumer product for one of its RSNs, allowing in-market fans in Portland who don’t receive NBC Sports Northwest to pay \$34.99 to stream 15 Trailblazers games (DirecTV and DISH don’t carry the RSN). Preschlack stressed this is about super-serving fans, not the demise of traditional TV. “Consumers’ preferences have changed, and by the way, they have not changed. For millions of people, the bundle we know and love still works,” he said. Meanwhile, San Francisco Giants pres/CEO Larry Baer said VR and AR could revive the home viewing experience. The Giants are experimenting in AR/VR, with Baer citing the potential of having multiple views of a game (from the dugout, the on-deck circle, etc).

Fox-Disney Debrief: A day after CNBC reported that Disney had previously spoken to 21st Century Fox about possibly acquiring the bulk of the company’s assets—film studio, TV production, non-sports/news cable nets—analysts weighed in on what the talks mean going forward. BTIG Research’s Rich Greenfield ballparked the value of the assets Disney would have acquired at \$80-90bln, with the studio accounting for \$15-20bln. Wells Fargo Securities’ Marci Ryvicker valued all of Fox’s consolidated assets (not just those reportedly discussed with Disney) at \$92.5bln, including \$74.7bln for its cable nets. While Fox News was not among the assets reported to be part of sale discussions, it’s interesting to note that Ryvicker valued it at 15x EBITDA, or \$32.7bln. She valued the company’s unconsolidated investments (mostly Sky and Hulu) at another \$10.8bln. While Greenfield suggested Disney’s interest in the studio makes sense, he questioned the logic of acquiring Fox’s domestic and international cable assets. “Buying most of Fox feels more like doubling down on legacy media and exacerbating ESPN’s challenges than repositioning Disney for the future,” he said. On the other hand,

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Ryvicker asserted such a deal would be “very accretive” for Disney. From Fox’s perspective, Greenfield wrote interest in a sale represents an about face for the Murdoch family. Pondering other potential suitors, he wrote, “Would a company like Verizon want all of Fox to replicate what **AT&T** is doing via **Time Warner**? **Comcast** appears enamored with the content business following **NBC** and **Dreamworks Animation**, would they want to increase content scale and expand overseas to diversify away from US cable? Perhaps Fox will find out with yesterday’s leak of Disney discussions.” Ryvicker stopped short of speculation. “We don’t know who other potential buyers could be, nor can we put others in play, but [Fox] does have attractive assets—esp. at the current valuation.”

State of Broadband: Growth in US broadband penetration slowed to an all-time low of 2.8% in 3Q17 as the service inches toward saturation, according to **MoffettNathanson** analyst *Craig Moffett*. In his deep dive on the state of the cable industry’s broadband business, Moffett noted penetration in the US is close to 80%. “It is reasonable to assume that broadband will eventually approach 100% penetration, less some portion that will likely always be wireless only,” Moffett wrote. “But it is also reasonable to expect that incremental penetration of the last 20% will come only slowly.” He noted broadband’s growth in recent years was improbable; unlike typical penetration-based businesses, where one expects smooth and gradual deceleration, broadband growth remained steady at 4% for nearly six years. Only recently “have incremental growth rates begun to meaningfully slow.” Moffett made waves when he downgraded the cable sector to “neutral” in June, a move he attributed to “an increasing reliance on a maturing broadband market.” Moffett also said **AT&T’s** planned broadband build “will have an impact on market share” among cable companies. “AT&T’s broadband growth rates can be expected to rise, and cable’s broadband growth rates can be expected to fall. The magnitude of that change depends on the specific overlaps between operators, and of course on the rate at which AT&T builds out fiber and 5G.” Still, he added the impact “is not as dramatic as one might initially believe” and maintained prior ratings on **Charter** (neutral), **Comcast** (buy), **Altice USA** (neutral) and **Cable One** (sell).

Outage Update: **Level 3 Communications** pointed to a “configuration error” as the cause of Monday’s widespread internet outage. **Comcast**, **Cox**, **Charter** and **Verizon** customers were reportedly affected. Level 3 said its technicians restored service within approximately 90 minutes.

More Gigabit Service: **WOW!** plans to launch Gigabit internet service to residential and business customers across more than 95% of its existing footprint by February. The operator said the offering will be free of data caps. WOW! is already offering 1 Gbps service in eight of its Midwestern and Southeastern markets. The high-speed internet is available on a standalone basis for \$79.99/month with a two-year contract or starting at \$89.99/month without a contract.

Moisture Wicking: **The Weather Channel** signed a two-year marketing partnership with apparel brand **Lands’ End**. The net will integrate Lands’ End into its field coverage by outfitting on-air meteorologists in the brand’s outerwear and apparel. In addition to providing gear for severe weather, the company will also show off everyday clothing like polos and chinos.

Thanks, But No Thanks: **NPR** CEO *Jarl Mohn* declined **The Cable Center’s** invitation for induction into the Cable Hall of Fame to focus his efforts on NPR. The Cable Center initially announced Mohn, founder of E! and Liberty Digital, as a member of the Hall’s 2018 class, which is scheduled to be honored April 4 at the Ziegfeld Ballroom in NYC.

Courtside Living: **Turner Sports** and **Intel** announced a multi-year partnership to distribute select **NBA** games in VR. Intel will become the exclusive provider of virtual reality for the NBA on TNT while also providing live content for marquee games, starting with the 2018 All-Star Game. Intel will also provide VR content and 360-degree video for official global NBA broadcast partners.

Weekly Ratings Notes: The three major cable news nets saw substantial week-over-week viewership gains last week in the wake of *Paul Manafort’s* indictment, Wednesday’s truck attack in NYC and Sunday’s mass shooting in Texas. **Fox News** saw average primetime viewership increase 16% to 2.7mln P2+ and total-day viewership increase 10% to 1.7mln. **MSNBC** saw jumps of 21% in primetime to 1.9mln 20% in total day to 1.1mln. **CNN** received 27% boosts in both primetime and total day to 1.1mln and 830K, respectively. -- Fox News’ bump was enough to reclaim the top spot in primetime, with **ESPN** (2.3mln) coming in at No. 2. Its Chiefs-Broncos “Monday Night Football” telecast was the most-viewed cable program of the week with 10.5mln average viewers. MSNBC came in at No. 3 in primetime, followed by **Hallmark** (1.9mln) and **USA** (1.2mln). Hallmark continued to ride its “Countdown to Christmas” original film slate into the top five, with Sunday’s debut airing of “Miss Christmas” averaging 3.6mln viewers. Among scripted fare, only **AMC’s** “The Walking Dead” (8.5mln) performed better. Saturday’s Christmas flick, “Christmas Festival of Ice,” scored 3.2mln for Hallmark. In total-day viewership, Fox News and MSNBC took the top two spots, followed by Hallmark (1mln), ESPN (984K) and **Nickelodeon** (972K).