

Cablefax Daily™

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What the Industry Reads First

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From Rentals to Originals: The Shifting Content Story of Netflix

It's been two decades since **Netflix** began as a DVD rental company, skyrocketing to success through its original service before switching to primarily streaming. Now, its focus has turned to its original content, a part of the business that has quickly become so relevant to its global business. The speed of the switch shocked chief content officer *Ted Sarandos*, who's been with the company since 2000. "We were five years in to our business before we started doing any original programming and in just five years it's become our most important investment," Sarandos said at the **MoffettNathanson** 5th Annual Media & Communications Summit Monday. Sarandos also talked Netflix's recent deals with showrunners *Shonda Rimes*, *Ryan Murphy* and *Jenji Kohan*, noting that "it's a pretty small group of folks who can really care about making high quality content that is culturally relevant and also popular for mass audiences." Netflix is a far different beast from **Fox** for someone like Murphy, with the latter being far more concerned about ratings and may have greater concerns around the sensitivity of the creative content. "There is a great comfort that comes from not having this kind of arbitrary apples-to-oranges measurement against other things on television," Sarandos said. "The truth is if those shows are successful, they go on to multiple seasons, but the main thing is they build a big consumer base of people who love their storytelling." The streamer also has made a dedicated shift to developing unscripted shows, a move that's attractive due to the difficulties that come with licensing second window unscripted shows. "The clearing price for us to license shows gets so high that it outstrips its value," Sarandos remarked about properties such as those owned by **Discovery**. "And we really don't have any control over the quality of those shows or even the structure of those shows." It's been smooth sailing so far for Netflix's dive into unscripted. Original baking show "Nailed It" released onto the service on March 9, and currently holds a 100% rating on Rotten Tomatoes, while "Queer Eye," a reboot of **Bravo's** 2003 hit "Queer Eye for the Straight Guy," has become a part of pop culture. "When you're spoofed on 'Saturday Night Live,' you know you're doing okay," Sarandos noted. Guess that's the best indicator we can hope for with Netflix not releasing viewership stats...

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Investor Notebook: Comcast Cable CEO Dave Watson tried to ease investor's concerns about the company's **Sky** bid, stressing that this isn't a case of not believing in the fundamental businesses. "Anybody who thinks that our view has shifted because we're exploring opportunities, that's just not the case," he said at the **MoffettNathanson** conference. He also used the stage to declare that cable is a "terrific business." A big part of Comcast's runway is broadband, with Watson arguing that the company has a better product than its competitors. He said that xFi is to broadband what X1 was for video. "It stands for great speed and fast coverage and control," he said. In fact, the CEO made several references to broadband and control, describing it as the ability to manage a network, something he predicted will gain momentum as IoT picks up. Watson underlined video as still a very important component with Comcast to continue to be competitive in the space. That said, he noted that when some low-end customers drop video and keep broadband it's actually accretive given that broadband pricing goes up outside of a bundles, programming costs are out of the equation and there's less CPE activity. On the mobile front, the story was the same as what we've previously been told—Comcast's mission is to enhance the broadband experience and make the customer more sticky. It's worth noting that Watson did add that mobile has potential to attract new customers. -- The **Altice NV** spin-off is less than six weeks away, with **Altice USA** chmn/CEO **Dexter Goei** saying the separation would not be disruptive to shareholders. The company has not yet set the actual ex-dividend date and the payment date of the transaction for the spin to occur as it continues to wait for regulatory approval from Dutch regulatory body **AFM**. "There are certain things that we are disentangling ourselves from relative to Altice Europe today," Goei noted. "But, by-and-large, from an operating standpoint, nothing changes at all. From a governance standpoint, nothing changes at all." Goei said that the company felt it would be better for investors and the employees at Altice USA to not have to worry about the activities across the pond, and lessen the need for explanations between the two bodies.

Big Upfront Day: Part of **Fox's** upfront presentation Monday included the introduction of new ad format "JAZ Pods." The name is a reference to two-ad pods ("Just A and Z")—with only two 30-second national commercials running per break. The format will be the only type of linear national advertising available for new **FX** series "The Weekly." Fox Networks Group also will offer it across all of its nets, including specific shows, live sports, events, time-blocks and even select whole nights on the broadcast network (Sunday night's on **Fox** with "The Simpsons" will be dedicated to JAZ pods). -- "Project Runway" is returning to its home on **Bravo** for its 17th season after spending more than a decade on **Lifetime**. The news came at **NBCU's** upfront presentation Monday. The deal was struck between Bravo and **Lantern Entertainment**, which acquired the assets of **Weinstein Company** on May 8. The deal is subject to Lantern closing the deal on these acquisitions. Bravo was the show's home when it premiered in 2004,

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but it couldn't come to terms on a new licensing deal in 2008, resulting in the series being moved to Lifetime by the Weinstein Company. NBCU sued Weinstein Company for the move, saying Weinstein didn't give Bravo a chance to match Lifetime's proposal for the program. The suit was settled in 2009, but the show has continued to live on the latter channel. Bravo and Lantern have also agreed to develop other unscripted programs for Bravo and other networks in the NBCU portfolio. -- Adding "Thursday Night Football" to its lineup, **Fox Sports** entered into the upfront season looking to maintain its position as a top destination for sports content. The Thursday night kickoffs will lead to Fox being the home of an estimated 40% of all **NFL** regular season viewing. Football was already huge with "America's Game of the Week" averaging 22.745mln viewers in 2017. Other upcoming highlights will be the college football season and baseball's postseason this fall, including the World Series.

The Final Vote: The forced Senate vote on *Sen Ed Markey's (D-MA)* resolution of disapproval to undo the **FCC's** repeal of net neutrality rules is set for Wednesday. All 49 members of the Democratic caucus support the resolution along with *Sen Susan Collins (R-ME)*. The resolution needs a simple majority of senators present to pass and move on to the House, where it's fate is likely doomed.

Making an Impression: Ad technology company **Canoe** has serviced ads resulting in more than 6bln impressions into TV programming on cable operators' VOD platforms in 1Q, a 25% boost over the same timeframe in 2017. Its VOD dynamic ad insertion is enabled across the managed VOD services of **Charter**, **Comcast** and **Cox**, bringing it to a total of over 36mln cable households nationwide. Canoe attempted to keep ad frequency to a minimum with consumers seeing the same ad campaign more than once in a single episode only 57% of the time. Ad completion rates stayed high, with average impressions in mid-rolls watched to completion at 99%.

Building it Out: Spectrum Enterprise is investing \$1bln in its national fiber infrastructure, marking the second year in a row it has invested at least that amount into those systems. The goal is developing a network that will be critical to the deployment of next-gen technologies including virtual reality, advanced video, IOT and 5G. The network currently spans 41 states and contains nearly 200K fiber-lit buildings.

AMCN Change Agent: *Jennifer Caserta* moves from pres/gm of **IFC** to chief transformation officer of parent company **AMC Networks**, reporting to pres/CEO *Josh Sapan*. The newly created role has her responsible for "driving and facilitating organizational structures and strategies" to position the company for growth. Caserta played a key role in AMC Networks' strategic partnership with **Funny or Die** and its recent majority stake purchase in comedy venue owner **Levity Live**. *Blake Callaway*, IFC's brand marketing evp, has been tapped as evp, acting gm of IFC, overseeing marketing, publicity, scheduling and acquisitions.

Raise Your Voice: **TiVo's** integration with **Amazon Alexa** is set to hit next week. The move will give TiVo BOLT, Roamio and Premiere customers the ability to control their TiVo DVRs from their Amazon Echo, Echo Dot, Echo Show, Echo Spot or Echo Plus devices with their voice.

On the Green: **DirecTV** will show holes 16, 17 and 18 of next week's **AT&T** Byron Nelson in 4K HDR. This is the 50th anniversary of the tournament and the fourth year AT&T has served as the presenting sponsor. Coverage will begin on Thursday and continue over the weekend on DirecTV Channel 106.

Coming to CTHRA: **WOW!** chief HR officer *David Brunick* and **Turner** svp of HR, corporate and technology *Scott Porter* have joined **CTHRA's** board of directors. Brunick boasts more than 30 years of HR experience, serving in executive roles at **AT&T Broadband**, **MediaOne** and **Adelphia**. Porter rejoined Turner in 2014, and has since been working to shift the company's HR operations into a more adaptable model to accommodate shifts in the industry.

Honors: **WICT** announced that **Charter** VOD and implementation senior manager *Judy Alsip* and **Comcast** senior dir, business operations *Rose Roth* will be the first recipients of the Martha Soehren Women Veterans Fellowship. The fellowship is designed to support the career development of women veterans now employed by a cable company. The fellowship is a one-year award that includes WICT membership and a full scholarship to the WICT Leadership Conference along with other WICT programs, including travel stipends.

RSN Ratings: April was **NBC Sports Regional Networks** most-streamed month ever with 111mln minutes consumed, a 63% rise from the previous record of 67mln in April 2017. Live streaming of NBA Playoff coverage shot to more than 245mln live minutes (+47% YOY) across 1.52mln unique devices (+105% YOY). Overall, **NBC Sports Philadelphia** saw the most significant growth with its coverage of the **76ers**, more than quadrupling both minutes streamed and uniques, 324% and 335%, respectively. In the first full season streaming Trail Blazers games, **NBC Sports Northwest** saw more than 8mln minutes streamed.

CFX TECH

Conference Chatter

Breaking the upfront cycle, this week is one filled with investor conferences: **MoffettNathanson**, **J.P. Morgan** and **Needham**. It's impossible to catch every insight, but here are our staff highlights from the presentations from **Charter**, **Comcast** and **Altice USA** Monday.

1. *Becoming One Company: Charter, Time Warner, Brighthouse*

Becoming a single integrated entity is no small task, but for Charter, its completion means opening up its distribution and technology capabilities. "We set out to make a single business, and in addition to making a single business, we set out to free up our spectrum as well to take the capacity of the network and use it," chmn/CEO **Tom Rutledge** said, noting that the companies still had analog signals in the **Time Warner** and **Brighthouse** assets that have to be transformed for the combined entity to become all digital. "To go all digital allows us to do high-capacity DOCSIS everywhere, which is data. By the end of this year, we'll have 1 Gig capability everywhere we operate." Rutledge also reaffirmed Charter's commitment to broadband, noting that he thinks the question of whether broadband continues to grow at a rapid speed is fundamental to the company's continued growth. While also pursuing 1 Gig capabilities, Charter has raised its minimum speeds up to 200 megabytes across many of its markets. And these continually increasing speeds will be used as innovation continues to move forward. "Just as video has moved to broadband and it works, 4K will move to broadband and it will work," Rutledge noted. "When you think about the future of data use and how it continues to grow, my view is that Moore's Law will continue to produce not just technology capacities, but products."

2. *Comcast's Home Automation/Security*

Comcast Cable CEO **Dave Watson** didn't try to paint this segment as some huge cash cow for the company, but it

was clear he thinks there is potential. Already, Comcast has more than a million home security customers. "We think it's a natural extension of great WiFi," he said, making the case that Comcast will be in position if/when it takes off. The exec thinks there are some positive signs for the home automation space. He points to the company's top 10% of customers—a group that he said is often an indicator of the way things are going. "Our top 10% have about 20 connected devices in their homes. They are using a ton of data... using about 100 times more data than a mobile phone," Watson said. "As long as you have great WiFi, you can catch that curve when it makes sense."

3. *Altice One on the Rise*

The Altice One gateway has been the best launch of any of Altice's products. It's too early to tell yet what the churn rate will look like, but the install base has surpassed 100K customers. Some 40% of these customers are utilizing their voice-activated remotes, with **YouTube** being the most popular app accessed. **Altice USA** chmn/CEO **Goei** praised the stability and performance of the WiFi on the box, saying that customers are most excited about it as well as the UI. The company is continuing to work on it post-release, upgrading and downloading new middleware into it every few weeks. On **Suddenlink**, the box is being released market-by-market in order to minimize service disruption, while it has been deployed in full across the **Optimum** footprint. "Some of it has to do with the architecture in each one of those markets," Goei noted. "Those had a lot of acquisitions whereas the Optimum footprint is a homogenous network."

Joining the Alliance: Ad-free open video platform **Vimeo** has joined the **Alliance for Open Media** as a "Promoter" member. This will see Vimeo collaborating with industry leaders on the creation of an open and royalty-free AOMedia Video codec, AV1. AV1 allows a greater variety of screens to display content with UHD imaging features while using less data.

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