

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Return to Form: Iger Restructure Puts Creativity Front and Center

Investors and Mouseketeers alike held their breath Wednesday afternoon as *Bob Iger* spoke on the company's 1Q23 earnings call, addressing shareholders and fans for the first time since he returned to **Disney** in November.

His first move is to restructure the company in a way that reverses some of the decisions made under *Bob Chapek*. There will be three core business segments—Disney Entertainment, ESPN and Parks, Experiences and Products. *Dana Walden* and *Alan Bergman* will serve as Co-Chairs of Disney Entertainment while *Jimmy Pitaro* will continue to head **ESPN** and **ESPN+**.

“Our company is fueled by storytelling and creativity, and virtually every dollar we earn, every transaction, every interaction with our consumers emanates from something creative. I’ve always believed that the best way to spur great creativity is to make sure that people who are managing the creative processes feel empowered,” Iger said. “Our former structure severed that link and it must be restored.”

He also said the restructuring will streamline the company and leadership is targeting \$5.5 billion in cost savings across the company. Some \$3 billion of that will come from content over the next few years, excluding sports. Disney is already taking a hard look at the cost for creating content across film and television and Iger said the company is going to be fairly aggressive at better curation when it comes to general entertainment. The remaining savings will come from other divisions

and require the cutting of approximately 7,000 jobs. The hope is that while painful, the moves will get the company back on the right track on a number of fronts and allow it to, among other things, bring **Disney+** to profitability by the end of FY24.

Disney+ lost 2.4 million subscribers in the quarter, but direct-to-consumer revenues still increased 13% to \$5.3 billion due to drops in marketing costs and higher subscription revenues. CFO *Christine McCarthy* said a few factors could impact Disney+ core subscribers and ARPU in 2Q23, including a recent domestic price increase and slower-than-expected growth in some international markets. Iger cautioned investors not to get too wrapped up in the number of subscriber losses as he believes Disney has been too aggressive in terms of its promotional activity around Disney+. The de minimus loss of subs that can be tied to a recent price increase told him those promotions weren’t necessary. “We’re still looking to grow subs, we just want to grow quality subs that are loyal and where we actually have an ability to grow price effectively,” he said.

Hulu gained 800,000 subscribers, leaving it with 48 million customers, and **ESPN+** won over 600,000 new subscribers to reach a total of 24.9 million viewers. Linear Networks revenues fell 5% YOY to \$7.3 billion and Domestic Channels fell 1% to \$6.1 billion while operating income rose 5% thanks to higher results in its cable division. That is partially due to lower **NFL** and College Football Playoff rights costs as well as a lower-cost mix of non-sports programming.

Iger acknowledged that he is heading a different company

Every year, we ask the Cablefax 100 a variety of questions, from what’s their go-to Starbucks order to their predictions for the metaverse to how many companies they’ve worked for over the course of their careers.

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than the one he left at the end of 2021 and competition in the marketplace has only increased, but he likes Disney's hand as it moves through this next transformation. He also said the company is not moving away from streaming at all, and it also is going to continue to support linear platforms as long as it makes sense.

"We're going to rebalance a bit because those linear channels and the movie theaters still can provide us with a significant amount of monetization capability. They enable us to amortize the cost better over multiple platforms and create some marketing clout," Iger said. It can also help Disney reach folks across different age groups and from various backgrounds. Using ABC's "Abbott Elementary" as an example of a success, it attracts adults in their sixties on the network while the demographics on Hulu lean to those that are 30 years younger.

BIDEN CHECKS CABLE FEES IN SOTU SPEECH

Cable got a call out in President Biden's State of the Union speech Tuesday night, but not the kind the industry wants. "The idea that cable, internet and cell phone companies can charge you \$200 or more if you decide to switch to another provider—give me a break," he said in calling for the passage of the Junk Fee Prevention Act. It would also target airlines charging fees to have a family sit together as well as resort fees and service fees on concerts and sporting events. "I know how unfair it feels when a company overcharges you and gets away with it. Not anymore," Biden said. His speech also included a plug for new standards requiring all construction materials, including fiber-optic cable, used in federal infrastructure projects to be made in America. He zeroed in on "Big Tech," calling for bipartisan legislation that would stop the collection of personal data on children, ban targeted ads to children and impose stricter limits on the personal data the companies collect on everyone. "We must finally hold social media companies accountable for experimenting they're doing running children for profit," Biden said in another Big Tech swipe. It was **Fox News** that scored the most viewers during the address, averaging 4.57 million P2+ from 9-10:30pm ET, followed by **ABC** (4.26 million). **MSNBC** averaged 3.46 million, while **CNN** had 2.31 million.

A VALENTINE HEARING FOR GIGI

Senate Commerce set its third confirmation hearing—first for this Congress—for **FCC** nominee *Gigi Sohn* for Feb 14 at 10am ET. It will be interesting to see if anyone brings up the claims of a [smear campaign](#) against Sohn following a *Daily Mail* article last month. You can bet net neutrality and Title II will be on the agenda and maybe even her views on law enforcement given this week's *Fox News* [story](#). Sohn's nomination has been vehemently opposed by the committee's Republican members. She has come under fire for her involvement in now-defunct broadcast streamer **Locast** and

The WHO and the WHY

CFX's spotlight on recent new hires & promotions



DOMINIC
Pagone
SVP, COMMUNICATIONS
PARAMOUNT TV STUDIOS

3 THINGS TO KNOW

- Dominic was named the new Head of Communications for Paramount TV Studios, another change following the merger of Showtime and Paramount+. He fills the role previously held by Erin Calhoun, who was recently tapped as EVP, Communications, Paramount Streaming and Cross-Company Publicity.
- Dominic will report to EVP Communications for CBS Chris Ender and President of PTVS Nicole Clemens and be based in Los Angeles. He was most recently SVP, Entertainment PR and Awards for Showtime, a role he held since Feb. 2022. Before arriving at Showtime in 2018, Dominic was at FX for 18 years, first joining in 2000 as a Publicist and climbing his way to SVP, Communications.
- At FX, he worked on shows such as "It's Always Sunny in Philadelphia," "Sons of Anarchy," "Nip/Tuck" and "Rescue Me." While at Showtime, he oversaw the launches of "Yellowjackets," "We Need to Talk About Cosby," "Attica" and other series.

critiques posted on social media regarding the Republican Party.

FOX FEELS GOOD ABOUT ITS STRATEGY

It's almost been four years since **Fox Corp's** spinoff and leadership has no regrets about the decision to focus on live sports and news. "By focusing on live content, our core Fox brands have been able to run sharply counter to the broader trend of linear TV. We can see this by looking at consumption trends. Over the past 10 years, consumption of Fox Sports events is up 18% and consumption of Fox News is up 28%," CEO *Lachlan Murdoch* said during Wednesday's 2Q23 earnings call. The call comes just ahead of Sunday's Super Bowl on Fox, which sold out on advertising—even if it took longer than anticipated. "The money came in late. We had some nervous moments, but we are just shy of gross about \$600 million of revenue next Sunday. We are sold out. It'll be a record Super Bowl for us both in terms of total revenue and obviously for what we've achieved for each spot," Murdoch said. It was a hot ad market for free streamer **Tubi**, which saw ad rev climb 25% YOY. The quarter also marked Tubi's most-viewed ever. Murdoch touched briefly on the recent decision not to pursue a **News Corp-Fox Corp** combination, saying that he feels very confident in the company's strategy. Helping to reiterate that confidence is the news it's upping its share repurchase authorization by \$3 billion to \$7 billion with an

immediate deployment of \$1 billion of expanded authorization of Class A common stock. Cable affiliate fee revenues were broadly flat in the quarter, coming in at \$1.3 billion. Fox Corp is in the early stages of its next distribution renewal cycle, so stay tuned. Overall, Fox recorded a net income of \$321 million on revenue of \$4.61 billion in the quarter. Fox Corp closed up nearly 4.5% on Wednesday.

WBD CHANGING STREAMING PLANS

Warner Bros. Discovery's streaming strategy changes as often as the wind blows, but today, the company plans to keep **discovery+** as a standalone service. That's according to a [WSJ report](#) Monday that claimed the company has decided against its initial plan to consolidate content from **discovery+** and **HBO Max** into one streaming service. The motivation for the change lies in not wanting to scare **discovery+** subscribers with a massive price increase. **discovery+**'s ad-free plan is currently priced at \$6.99/month while **HBO Max**'s equivalent plan costs \$15.99/month. The report says there will still be a combined platform that features **HBO Max** content and most **discovery+** content, but time will tell exactly what that looks like. There's a feeling of throwing paint at the wall and seeing what sticks when it comes to the company's streaming plans since the merger was completed. It was only August when they announced plans for the combination, and in November it said the launch date of the combined service was being moved up from this summer to this spring. Plans are seemingly still in place to launch a FAST channel-based streaming service this year as well.

MEASUREMENT A FOCUS AT ONE23 CONFERENCE

Not all reach is equal, and in **NBCUniversal's** "golden age of measurement," it's about targeting the intersection of advertising content and platform performance. That was the message NBCU Advertising & Partnerships EVP, Measurement & Impact *Kelly Abcarian* sent while speaking at the One23 developer conference Wednesday. She noted the need for improved measurement capabilities and added certifications to help companies gain more insightful analysis. Like many others, the company has set its sights on bringing alternative solutions other than **Nielsen**. One of the current issues *Abcarian* noted that wasn't solved was that measurement frameworks focused exclusively on audience reach, but not the quality of the ad itself. That led to the introduction of the Content Quality Index, a new metric that scores how entertainment content, the advertising environment and ad creative work together to drive impact across different platforms. "The content quality index is really helping to marry up a truer picture of the advertising value by combining the Content Quality Index on how advertising drives, ad recall and memorability ... we're really trying to isolate how content quality, and the advertising environment itself influences the impacts of advertising on audiences," *Abcarian* said. NBCU certified 27 new measurement partners across brand measurement, incrementality measurement/sales impact and multi-touch attribution. It also certified **VideoAmp** as a cross-platform currency for advanced audiences, while expanding certification for **iSpot** on persons demographics to advanced audiences. Cross-platform solutions have become a high priority for companies that have linear offerings as well as AVOD or digital

services. That of course includes **Peacock**, which will introduce "Must ShopTV," an in-app purchasing capability for viewers via an algorithm that identifies shoppable products on shows. **Peacock** will add other interactive options such as the Retail Media Extension Network that lets brands use data within a self-service suite of shoppable ad placements, or the new experience "Watch With," where fans can get a behind-the-scenes view of shows alongside stars, directors and producers giving commentary and answering live questions. The first part will follow the Season 2 premiere of "Bel-Air" on Feb. 24 at 9pm, where *Jabari Banks* and *Olly Sholotan* will be on hand to give fans a further glimpse into the show. Other future series will include "Eurovision" and "The Real Housewives Ultimate Girls Trip," with more shows to be announced.

AVERAGE DATA CONSUMPTION SKYROCKETING

Average broadband consumption per subscriber neared 600 GB/month during 4Q22, according to **OpenVault's** latest study. The percentage of subscribers on gigabit tiers has also meaningfully increased from the 12.2% recorded in 4Q21 to 26% in 4Q22. That move away from slower tiers is real with the percentage of subscribers with plans that offer speeds under 200 Mbps dropping by 43% during the quarter. Median usage by participants in the **FCC's** ACP program came in at 531.9 GB, and the percentage of overall power users consuming 1 TB or more per month was 18.7%.

T-MOBILE BRINGS ACP TO SEVEN MORE STATES

T-Mobile has expanded its participation in the **FCC's** Affordable Connectivity Program, bringing it to an additional seven states. Eligible households in Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Vermont and Wyoming can now sign up to receive the program's subsidy for broadband service. **T-Mobile** now offers the program in 48 states and Washington, D.C.

CARRIAGE

SportsGrid struck a global distribution agreement with **Amazon** to launch the SportsGrid FAST channel on **Amazon Freevee**. The channel offers 24-hour coverage of sports wagering and real-time analysis on betting odds before, during and after matches.

RATINGS

ESPN recorded its second-most viewed Saturday in men's college basketball since the 2018-19 season. Headlined by the Tobacco Road Rivalry that saw UNC vs Duke accumulate 2.9 million viewers, four of the top five games were aired on ESPN. Purdue vs Indiana had 2 million viewers, followed by Florida-Kentucky and Auburn-Tennessee, which had 1.7 million and 1.1 million, respectively.

PROGRAMMING

INSP began production on "Elkhorn," an original series about *Theodore Roosevelt's* time in the West. The one-hour scripted series is set to debut in late 2023. - **TV One** kicks off "Date Night Thursdays" tomorrow, with the launch of dating series "Asking for a Friend" (BFFs chose blind dates for each other) at 8pm ET. In May, the network will welcome competition dating series "The One," hosted by *Kirk* and *Tammy Franklin*. - "Act Your Age," a new **Bounce** original series produced with **MGM**, debuts March 4 with back-to-back eps at 8pm. The inaugural season will have 16 total episodes.

Think about that for a minute...

Reliability

Commentary by Steve Effros

I live in a very small pre-civil-war railroad town outside of Washington, DC. Lots of history, on the National Historic Trust, lots of old, classic homes (I live in the stationmaster's house, first built around 1890) and like a great deal of Northern Virginia, lots of old trees. It's that last part you have to focus on. Old trees eventually weaken and die. With the increasing rain storms and higher winds, branches and trees are coming down a lot these days. It makes maintaining an above-ground wireline infrastructure a real challenge.

All this is by way of introduction to a painful admission on my part. I've finally given up my cable subscription. I'm now totally reliant on broadband. As such, I'm totally dependent on really solid, interruption-free broadband delivery. The older, HFC based aerial system just wasn't hacking it anymore. Verizon built their FiOS fiber optic based system many years after the HFC system was built. A lot of it's undergrounded. The fiber, even when up on the poles, isn't as prone to intermittent shorts and lapses. In other words, I find it more reliable.

That's not to say hybrid fiber-coax systems like the one used here aren't also very good, fast, and always improving. But the wind is relentless and momentary dropouts were becoming increasingly annoying. They may not be noticed if the broadband suddenly stops working and you can't scroll to the next thing you're reading on your tablet. You can chalk that up to your WiFi or the web site. But when you're watching a streaming service and it has to pause, reboot, or whatever, it stops making things fun. You stop making excuses. You look for alternatives.

I have to admit, since I switched, my broadband has been rock solid. Not that there are never glitches. Sure, there are. But rarely, very rarely. And of course, with all those trees coming down there are times when it's not just a connector that momentarily shorts out from the wind, but a tree that takes down a line or knocks out power completely. I have a generator that kicks in when that happens.

The point I'm trying to make here is that, as with so many other parts of our business, the challenges are increasing. It used to be that folks focused on what the package was, how much it cost, and whether it worked most of the time. Now, with broadband being the focus, the original mantra was speed. A lot of us tried to explain that speed wasn't really the issue, that most folks were getting plenty of "speed" for the data they were actually using. That's still the case today. But reliability, well, that's another story.

Sure, years ago if your television "went down" everyone heard about it. The reliability of the early cable systems was iffy at best. But we worked at it and improvements in technology, including "HFC" came along to assure that delivering a solid television picture, digitally, to the home became a standard. Well, with broadband we have to "up the game" again.

I'll let the engineers debate if that means we all have to migrate to something like fiber connections all the way to the home or whether a very solid hybrid system can deliver the same thing. I'm sure I'll get a few emails from my engineering friends about that. But what I know is that most of the "cable" providers are using systems that have aged, and even if they have upgraded the plant, especially the trunk lines and primary distribution systems, there is still a lot of wire hanging in the air going to individual homes. And as I said, around here at least, there are a lot of trees! Focus on reliability. It will be worth your while.



Steve

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(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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