MONDAY, DECEMBER 11, 2023 VOLUME 33 | NO.226

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Churn Notice: Magid Sees Streaming Churn Rising, But It's Not All Bad

To everything, churn, churn, churn. There is a season, churn, churn, churn. And for streamers, there really is a time to gain and a time to lose, with not all churn created equal.

"Some churn is just habitual behavior of a subset of the population that actually engages very heavily with content. And it is actually highly correlated with growth, with vitality, with success. That kind of churn actually needs to be managed effectively, whereas the other kind of churn needs to be minimized," *Mike Bloxham*, EVP of **Magid**'s Global Media, Entertainment & Games Practice said during a call with reporters outlining the firm's predictions for the streaming space in 2024. "So effectively, we are actually saying there are two types of churn, just like cholesterol. Churn is effectively the cholesterol streaming."

Bad churn is made up of dissatisfied consumers. But good churn comes from customers that Magid defines as "hypers." Hypers are only 12% of the total marketplace, but account for 21% of churn. They are also the population segment adding the most streaming services, averaging more than six services, and they add more than they subtract. Plus, they're heavy re-subscribers. "When they go, they haven't necessarily left you. They just go away for a bit and they have every intention of coming back. That's partly why they account for so much of that volume and why they are such a disproportionately important segment to actually understand and to manage the relationship with," Bloxham said.

This jumping in and out is because hypers are chasing the next best thing and are often trendsetters. "This high churn segment is super valuable. In a certain sense, getting them is a trophy in that it represents that you are culturally relevant as a service," added *Tony Cardinale*, Magid's SVP of Data Science, Global Media, Entertainment & Games Practice.

Magid has been advising clients to change their core KPI from the average consecutive months they get from a subscriber to the total cumulative months they get from a subscriber, whether or not they were in a row, since this group actually produces a lot of revenue.

While hypers are a high churn segment, they are paying the most money in a way services want. The second highest group of churners are what Magid has deemed "digitarians." This group is heavy on password sharing and promotional offers—and thus, not causing a lot of revenue loss when they churn. Both segments are more likely to be "adventurers" and seek out new things and niche services, which is why smaller SVODs will have a healthy organic amount of churn that is higher than the top services, said Cardinale. "We wouldn't view a top tier service with 7% unsubscribe and a bottom tier service with 7% unsubscribe in the same way," he said. Magid called out **BritBox** and **BET+** as services punching above their size. Both are in the bottom half of SVODs in terms of size, but in the top half in terms of Net Promoter Score.

Analyzing churn takes on greater importance given streaming's evolution from a growth-oriented market to a share-driven market. "The market is more like the classic CPG dynamic, where tiny incremental shreds of growth are stolen from competitors—where boats are not all rising. It's what we actually characterize more as a knife fight for survival, based upon stealing share from others," explained Bloxham said. From January to October, the market for the SVOD players tracked by Magid has contracted a little over 5%. For the top 10 SVODs, the market is really flat. But if you look at the lower-end SVODs based on size, they saw contraction of almost 25%.

In addition to Magid's prediction that churn will keep rising, it believes free streaming services like **Tubi** and **Pluto TV** will force SVODs to take a more premium approach to differentiate. "They're going to spend less money on the things that free streaming is doing equally well—kids content, reality content, longtail library movies (not those from the past 18 months movies)... They're still going to continue to develop those things, but they're going to find ways to do it more efficiently in order to fund the things that differentiate them—sports rights, higher profile stars, new higher profile scripted content, which puts a lot of pressure on them," said Cardinale.

The firm also believes consumers will recreate the bundle they had with cable 15 years ago, but this time with an assortment of assets tied together. That could mean some of the linear cable networks of today morphing into streaming service or even FAST channels. "We believe that broadcast will remain vital, if different, because the amortization of premium content that starts on broadcast and goes to streaming is a good model, because sports leagues will continue to want their product exposed in a free over-the-air way," Cardinale said. Part of the recreation of the bundle will mean "enemies will become frenemies," suggesting that services will marry to stabilize their businesses, such as **Comcast** and **Paramount** or **Apple** and **Warner Bros. Discovery.** Such combos should make it easier on consumers to subscribe and find content.

GOLDEN GLOBE NOMS UNVEILED

The nominations for the 81st **Golden Globe Awards** were unveiled, and it was **HBO**/**Max** and **Netflix** who were once again at the top of the TV categories. HBO and Max led networks and streamers with 17 nominations for TV series and programs, including nominations for "The Last of Us" and "Succession" for Best Television Series, Drama and "Barry" for Best Television Series, Musical or Comedy. Succession led all shows with nine total nominations. Netflix's 15 nominations were bolstered by "The Crown" and "Beef" grabbing four and three nominations, respectively. "The Diplomat" added two nominations, and Netflix also nearly swept Best Performance in Stand-Up Comedy on Television with "Amy Schumer: Emergency Contact," "Chris Rock: Selective Outrage," "Ricky Gervais: Armageddon," "Trevor Noah: Where Was I" and "Wanda Sykes: I'm an Entertainer." **Apple TV+** had nine nominations thanks to three from "Ted Lasso" and two from "The Morning Show" and "Lessons in Chemistry." **FX** followed with eight, **Hulu** with six and **Prime Video** with five. **Showtime** was attributed four nominations, one more than its **Paramount+** counterpart. **Amazon Freevee** also made the cut with two nominations from "Jury Duty": Best Television Series – Musical or Comedy and *James Marsden* for Best Performance by a Male Actor in a Supporting Role on Television. **Peacock** earned one nomination for Best Performance by a Female Actor in a Television Series – Musical or Comedy with Natasha Lyonne in "Poker Face."

PARAMOUNT+ WITH SHOWTIME LINEAR LAUNCH SET

After launching as a streaming offering in June, **Paramount+ with Showtime** is making its debut on the linear stage on Jan. 8. The soon-to-be former **Showtime** network will rebrand with Showtime titles such as "A Gentleman in Moscow," "The Department" and "The Woman in the Wall," which all premiere in 2024, as well as original series from **Paramount+** like "Star Trek: Discovery" and Season 2 of "Halo."

TUCKER CARLSON GOING BIG WITH STREAMING SERVICE

Tucker Carlson has been cultivating an audience on **X** since he and **Fox News** parted ways earlier this year, and now he's hoping they'll pay for more of his content. The personality on Monday launched **Tucker Carlson Network**, a subscription streaming service with exclusive interviews, investigations and "a direct line to Tucker and his team," according to the service's website. A $9/month membership offers subscribers unlimited access to five new shows from Carlson as well as speeches, films and more content. He is also promising premium investigative reports, short documentaries, exclusive behind-the-scenes content from his biggest interviews and access to his personal inbox to submit questions for weekly "Ask Tucker" episodes. Viewers can save with an annual membership, which takes the monthly price down to $6/month. In an FAQ on Tucker Carlson Network's website, it was confirmed that Carlson will continue to post clips on X and other social platforms, but the new streamer will serve as the home to his full library of independent work.

Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC | www.cablefax.com | 301.354.2101 | Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com | VP/Group Publisher, Cablefax and Cynopsis: Robbie Caploe, 917.974.0640, rcaploe@accessintel.com | Managing Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com | Associate Editor: Noah Ziegler, 301.354.1704, nziegler@accessintel.com | Director of Business Development, Cablefax: Ellen Kamhi, 917.626.5574, ekamhi@accessintel.com | Production Manager: Joann Fato, jfato@accessintel.com | Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com | Group Subs/Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com | Annual subscription price: $1,899.00/year | Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

DESROCHES: FIBER HELPING AT&T WIN IN WIRELESS

Competition in the wireless ecosystem has been fierce this year, but **AT&T** CFO *Pascal Desroches* said during an investor conference appearance Monday the company's fiber buildout has given it a secret weapon for winning over customers and driving penetration. "We're the only ones who are able to offer both products using our own network, and what I would tell you is this: where we have our fiber product, we see an uptick in wireless penetration," he said. "The perception of our wireless business goes up as a result of having both." AT&T has been aiming to reach 30 million homes with fiber by the end of 2025, and CEO *John Stankey* revealed during a separate investor conference last week that there may be 10-15 million additional locations with attractive returns. Desroches elaborated on that number, saying AT&T isn't counting on any government subsidies from the BEAD program or otherwise to reach those additional locations. "Look, if we're able to identify attractive opportunities that have subsidies, that would be great. I think it is too early to tell. A lot of it is going to depend upon the methodologies the individual states employ in driving and in allocating the funds," he said. "To the extent that they are looking for reliable providers that are able to do this in a way to really solve the problem, I think we will get more than our fair share of the dollars." Desroches didn't want to reveal too much about new segments AT&T is targeting in the holiday season and beyond, but he did note that a huge contributor to the company's success in recent years has been its ability to identify segments of the market that are underpenetrated and take meaningful action. He pointed out the first responder community as one where AT&T has continued to gain share in the years since FirstNet's introduction. "In addition to that, there are parts of the country where we are underpenetrated, markets such as the Hispanic market, Asian markets. We are surgical in identifying those and putting together offerings that will help drive further penetration," Desroches said.

TENNIS UP NEXT FOR NETFLIX

Netflix's pursuit of live sports is turning to tennis. "The Netflix Slam" will feature *Rafael Nadal* and current world No. 2 *Carlos Alcaraz* in an exhibition match. It'll take place March 3 at 3pm in Las Vegas, and there will be a dual broadcast for both English- and Spanish-language markets. More players and matchups to be part of the event will be announced at a later date.

INTERNET SERVICE IN 92% OF U.S. HOUSEHOLDS

The number of U.S. households with internet service at home continues to rise. Data from **Leichtman Research Group** revealed that 92% of U.S. households receive an internet service at home, a 9% increase from the 83% mark in 2018 and a 16% increase from 76% in 2008. Broadband makes up 98% of households with an internet service. Approximately 90% of households get a broadband internet service, which is up from 81% in 2018 and 57% in 2008. Of those broadband subscribers, 60% would consider themselves "very satisfied" (or check in between 8-10 on a 10-point scale), while 5% recorded as "not satisfied" (1-3). Broadband subscribers who agree their internet service meets the needs of their household came in at 70%. When it comes to rating the quality of speed of internet connections, 64% of broadband subscribers fell between the 8-10 scoring range, which is higher than any year in the past decade. Additionally, 22% of broadband subscribers say their provider is the only one available in their area, which falls from 27% back in 2021. LRG surveyed 1,767 households throughout the U.S. for the study.

PROGRAMMING

"90 Day: The Single Life" is returning to **TLC** on Jan. 1 at 8pm. – **HBO**'s documentary "Daniel," which chronicles the travels filmmaker *Daniel Northcott*, will premiere Dec. 20 at 9pm, available to stream on **Max**. – **ESPN** will broadcast four international **MLB** games across three continents during the upcoming 2024 season. It'll begin with *Shohei Ohtani*'s debut with the Dodgers as they face the Padres on March 20 and 21 at 6am in Seoul. ESPN will then televise the Astros vs Rockies from Mexico City on April 28 at 4pm, before showcasing the Phillies vs Mets on June 9 at 10am in London. – **WE tv** greenlit "The Barnes Bunch," a reality series following former **NBA** champion and **ESPN** analyst *Matt Barnes* and his fiancé *Anansa Sims*. The show is currently in production and will make its debut in 2024. **ALLBLK** will have the program available to stream. – **Netflix** is bringing a new 10-episode rom-com series. "Too Much" featuring *Megan Stalter* and *Will Sharpe* will begin production in 2024.

PEOPLE

INCOMPAS' board reelected **Granite Telecommunications** Chief Administrative Officer *Michael Galvin* to serve a third year as its Chair. **Summit Broadband** CEO *Kurt Van Wagenen* was voted Vice Chair while **Mammoth Networks** CEO *Brian Worthen* will serve as Treasurer. Rounding out the Executive Committee are four at-large members: **Zayo** VP, Underlying Rights & Government Relations *Gillian Leytham*; Uniti Group SVP/CRO *Ronald Mudry*; **MetTel** VP *Sean Sullivan*; and **Fuse.Cloud** Founder/CEO *Gary Watts*. – *Don Kaplan* is joining the **Charter** family and becoming the new Sr. Director, Communications for Spectrum's New York City region. He'll manage media relations, internal communications and community impact programs at a local level while also serving as the primary spokesperson for the market, which encapsulates New York City, New Jersey and Mount Vernon, New York. Kaplan—who has previous experience with the New York state government and the *New York Post*—will report to Charter VP, Field Communications *Rich Ruggiero*.