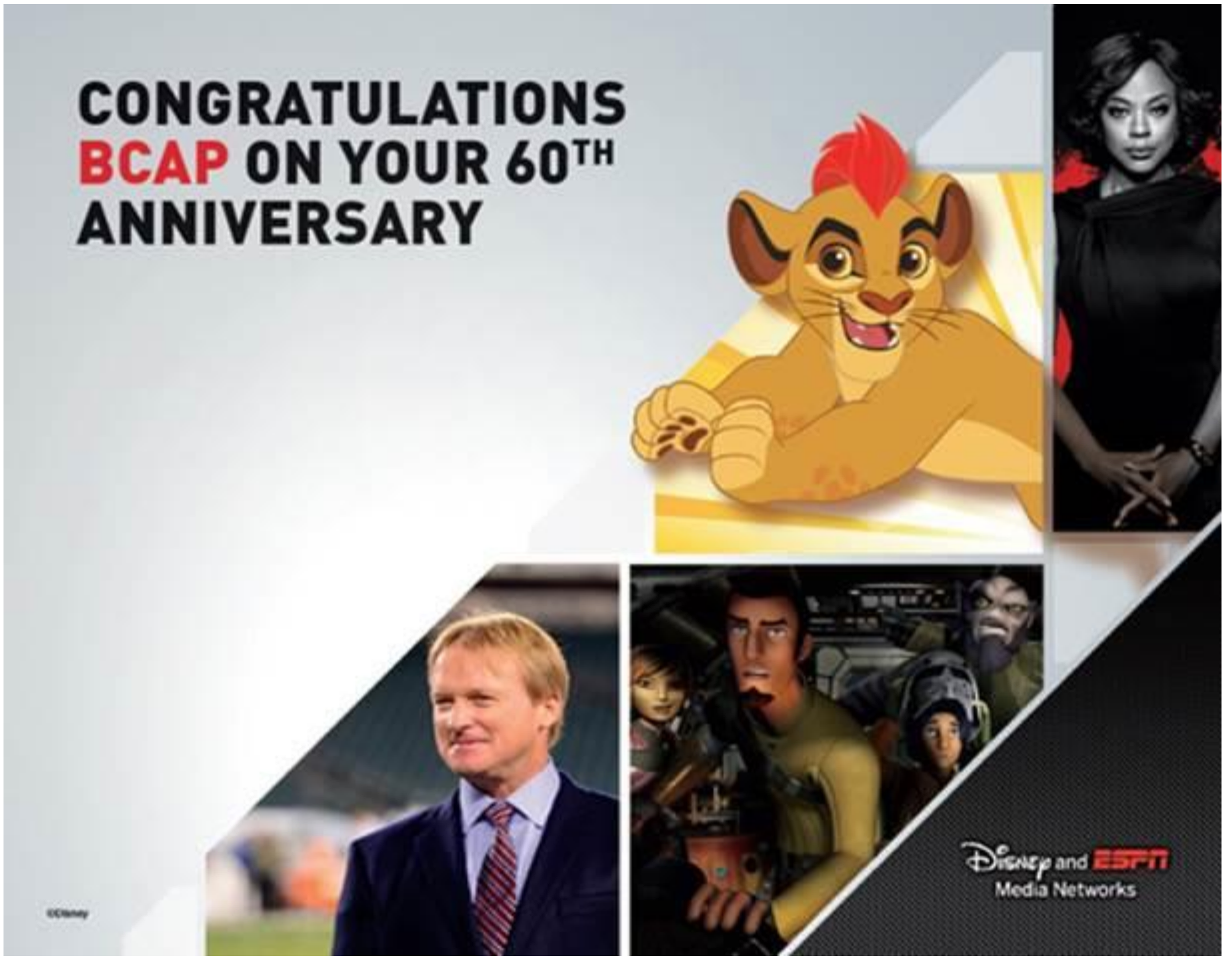

BCAP 60th Anniversary

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November 29, 2017

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The Internet Is Dying.

Cable companies are settling on a new strategy to combat streaming services like Netflix and Hulu: If you can't beat 'em, join 'em. Comcast Corp. and Charter Communications Inc., the two biggest U.S. cable operators, are in talks to offer Hulu's on-demand service through their set-top boxes, according to people with knowledge of the matter.

Comcast, the largest cable operator, already offers Netflix, YouTube and Dish Network Corp.'s Sling TV via its X1 service, which helps subscribers find shows and movies by voice-activated search using their remote controls. Giving customers seamless access to Hulu's catalog moves Philadelphia-based Comcast a step closer toward its goal of becoming a one-stop shop for a variety of digital video services.

"That's the biggest role of a distributor -- how we're able to offer all these choices on one platform," Matt Strauss, a Comcast executive vice president, said at an industry conference in September. "To a customer, these are just choices and you shouldn't have to switch inputs or figure out how to get to that choice."

Charter also plans to add Netflix in a new user interface that integrates web video, and may add others, a person familiar with the matter said. Altice USA, the fourth-largest U.S. cable provider, is also in talks with Netflix, according to another person, who asked not to be identified discussing private deliberations. Altice already features YouTube videos and Pandora, the streaming music service, on its new Altice One cable system.

Pay-TV companies once viewed streaming services as existential threats to their business, enabling users to watch popular TV shows on demand without paying for a cable or satellite package. Comcast has tried out usage-based pricing, which charges internet customers extra if they stream over a certain amount.

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Those early misgivings have been outweighed by cable companies' need to stay relevant. Consumers are watching videos throughout the day with little regard for whether they originate on the internet or TV. The screen that cable subscribers see is evolving from a grid listing hundreds of channels to a slick interface resembling an iPhone or tablet screen, with tiles featuring various apps. Adding an app from Sling TV to that homepage can give customers foreign channels they might not otherwise get.

Cable operators also say many of their subscribers already stream videos from Netflix, Amazon and Hulu. And even when customers watch online video instead of traditional cable, they're using the pay-TV companies' high-speed internet services to do it, so they're not a total loss.

By helping customers avoid the hassle of juggling remote controls or toggling between applications, the cable companies are hoping to appeal to a web-savvy audience and hang on to more customers. Comcast is also **testing** an app that lets subscribers access their cable service through Roku Inc.'s set-top boxes. "The pain of switching between inputs, trying to download apps, or going app by app to search for content will no longer be friction points," Barclays analyst Kannan Venkateshwar said in a note earlier this year describing Comcast's strategy.

While adding an app may seem easy for a cable company to do, the negotiations are complex, covering issues such as how to split revenue from new subscribers and who has access to viewer data. Such deals present risks. By adding Netflix or Hulu, Charter, Comcast and Bethpage, New York-based Altice could be encouraging people to watch those services more, which may lead them to question why they're still paying for cable.

On the other hand, providing customers with a limited set of popular entertainment options through the cable set-top box may ultimately be better for retention than having viewers turn to their laptops, tablets and phones to be entertained by the open internet's array of choices -- many of them free. Last quarter, Comcast lost 125,000 cable-TV customers, the biggest decline in three years. Stamford, Connecticut-based Charter, backed by billionaire John Malone, lost 104,000 TV subscribers. The losses highlight how tough it is for pay-TV providers to keep $85-a-month video subscribers as online video competitors like Netflix offer more and more for $7.99 to $13.99 a month.

Netflix has struck deals with several telecommunications companies and pay-TV providers outside the U.S. to put its shows and its service in front of more customers, including one announced **last week** with Deutsche Telekom AG. Netflix already has more than 52 million customers in the U.S. -- almost half of households with a TV -- but it is still in the early stages of its international expansion. For Hulu, a home on Comcast or Charter's on-demand menu would get its videos in front of more people. It would also help the company tap into the $63 billion TV advertising market, since brands have larger budgets for ads seen on actual TVs in consumers' homes.

Comcast is one of four media companies that own Hulu, which sells an $8-a-month on-demand service with original shows like "The Handmaid's Tale" and reruns of older programs. Hulu also sells a live TV service with dozens of channels for $40. So far the talks between Comcast and Hulu don't involve the live service, one person said. Last year, Netflix Chief Executive Officer Reed Hastings said a distribution deal with Comcast was unlikely to boost his subscribers much because most Comcast customers already have the service. But Hastings also said the deal "increases the word-of-mouth" and makes Netflix easier to use. – ***Bloomberg***

"We have a problem. I know it; you know it; we all know it."

That's how NBCUniversal's ad sales chief, Linda Yaccarino, opened an event Tuesday morning that she organized for some of the biggest names in the advertising and media businesses to try to tackle the many issues plaguing the industry. The "State of the Industry Forum" touched on everything from how to better reach consumers to overcoming measurement hurdles across platforms from television to digital. "We're committed to making television smarter," said Ms. Yaccarino. "That means improving the consumer experience, making marketing more effective and most importantly it means weaning ourselves off a single currency metric and become more committed and focused on addressing real business objectives."

The event was unique in bringing together rivals from Fox and NBCU, among other media, agency and marketing bigwigs, but it largely served to illuminate the industry's many challenges, generating more questions than answers. Advertising and media businesses are looking for new ways to reach and track consumers who are shifting their viewing habits from traditional TV to digital platforms like Netflix, YouTube and Facebook. Ad executives are grappling with challenges in measuring consumer behavior across traditional and digital media platforms, as well as increased ad blocking, viewability and fraud issues. Earlier this week, Pivotal Research analyst Brian Wieser cut his forecast for U.S. ad spending to 4.1% this year, slightly below his earlier expectation for 4.4% growth.

During Tuesday's event, media companies talked about the need to improve the commercial experience, while many brands focused on the opportunities—and challenges—resulting from improved technology. Ms. Yaccarino went so far as to contemplate reducing NBC's ad load "across the board," recognizing the need for TV networks to rethink their business models. Chairman of NBC Entertainment Bob Greenblatt's solution? Better ads. "People are running away from ads in droves," said Mr. Greenblatt. "How do we stop that? I'm in the business of making shows. We need to find ways to make those interruptions a lot more powerful, a lot more entertaining and a lot more emotional."

On the marketing side, McDonald's said it's focused on the benefits of more targeted, fragmented advertising. "We can no longer be just a national advertiser," said Bob Rupczynski, global vice president of media and customer relationship management at McDonald's. Rather, he said, the company must target coffee drinkers separately from the snackers, and focus on driving outcomes such as getting people into the store versus how many people see a billboard.

While technology has created more sophisticated ways to reach consumers through digital mediums, it's also added complexity to a historically simple TV ad business -- one in which advertisers are used to being in control over exactly where their ads appear. Mastercard marketing executive Andres Siefken said during one of the sessions that the company is doing "less and less programmatic" in an effort to make sure that its ads aren't showing up on unexpected sites.

Brian Lesser, who recently left ad buying shop GroupM to oversee advertising and analytics at AT&T , was more enthusiastic about new ways to limit reliance on the **digital advertising behemoths of Google and Facebook**. "If you don't have a good understanding of who your customer is, you end up relying on Google's version or Facebook's version," he said. "Now, you have a good understanding of who the consumer is, and can match it up to Google and Facebook, and you can buy that way."

	After the brands, networks and content distributors finished their panels, some executives said the event didn’t even live up to their expectations of an informal, honest discussion. Rather, they said, it was more of a contrived gathering of executives saying what they always say in front of ad buyers and the press at conferences like Advertising Week. – ***Wall Street Journal***

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