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Column by David Cohen, Sr. Executive VP, Comcast: Investing in Philadelphia's Future

Washington Post
In a first, the FCC is fining a major cable company for getting hacked

Hollywood Reporter
The Age of Denial in Broadcast TV

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Pai: 2016ers Should Talk About Broadband, Net Neutrality

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Fox CEO James Murdoch touts Hulu's growth

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YouTube to support virtual reality video on its app

Fox News
GOP candidate line-up announced for Fox Business Network/WSJ debate

Investors are still on edge about the future of the pay-television market, with media stocks selling off yesterday after Time Warner Inc. lowered profit guidance.

While concerns about the television industry have mostly hinged on declining TV subscribers thanks to cord-cutting, the health of the advertising market has also weighed on the minds of investors. And on earnings calls this week, a handful of media executives have argued the "scatter" advertising market has been strong—a modestly bright spot for an industry facing increased competition.

The scatter market refers to the year-round market outside the confines of the "upfront," the annual selling period when broadcast and cable networks try to fill as much as 80% of their fall season's ad time. "Advertising is coming back in a big way at CBS," said the company's chief executive Les Moonves. "We now have more to sell in a very robust scatter marketplace, which is a very good thing." Advertising was up 1% on the CBS network, but excluding an additional NFL game and U.S. Open programming in the year-ago quarter, advertising increased 8%, the company said.

Mr. Moonves cited agency reviews as to why ad volume struggled during upfront talks, where networks and ad buyers negotiated ad time in advance of the fall season. Many big advertisers have been rethinking their agency structure and how and on what platform they spend their money. "I think as normally happens when the upfront may be down, suddenly [advertisers] got located with the appropriate agency, and suddenly, that helped to increase the scatter market," Mr. Moonves said.

Better scatter may be helping networks post low-single-digit ad revenue growth and stave off declines elsewhere, but nobody is busting out the champagne. What big media conglomerates and their investors really yearn for is business to return to growth in the double-digit percentages. Time Warner CFO Howard Averill said scatter pricing "has

Philadelphia Inquirer **Editorial: Republican leaders at fault for Pa. budget stalemate**	been very healthy," and that the company anticipates total ad revenue to be up "low single digits" in the fourth quarter. In the third quarter, advertising revenue fell 1% but was up 3% when factoring in currency-exchange headwinds and the absence of Nascar programming. At Comcast's NBCUniversal, cable networks' ad revenue rose 2% thanks to the inclusion of Nascar events. For its broadcast networks, ad revenue rose 3% even though there was one fewer NFL game than the year-ago quarter. "The fact that we were still able to report modestly positive advertising growth speaks to the strong scatter market with the third quarter trending better than the first half of the year," said Comcast CFO Mike Cavanagh. "Importantly, this higher demand in the scatter market has continued into the fourth quarter." To be sure, on earnings calls this summer, executives similarly argued the scatter market was coming back. And big ad spending could also be attributed to a few ad categories (Have you seen those DraftKings and FanDuel ads?). 21st Century Fox said advertising increased 4% at its cable networks unit, while advertising revenue fell 5% in its television unit, which includes the Fox broadcast network, due in part to one less week of NFL football than a year ago and less political ad spending. Fox CEO James Murdoch took the opportunity to laud the health of the sports ad market, particularly NFL games and the Women's World Cup. "I think it speaks to the increased scarcity of big live events, mass events that can deliver big audiences consistently," he said. 21st Century Fox and The Wall Street Journal were part of the same company until mid-2013. AMC Networks, for its part, posted a 52.3% increase in advertising revenues, thanks to the new "Fear the Walking Dead" and the addition of BBC America to its portfolio. Another major cable network owner, Discovery Communications, reported that domestic ad revenue rose 6%. "Now there is no question that volume has been much stronger and pricing has been good," said CEO David Zaslav. – ***Wall Street Journal*** --- Amid Wall Street concerns that declining numbers of cable subscribers bode ill for big media companies, Robert Iger is heavily touting the digital future. The Walt Disney Co. chief executive spent more time talking about his company's move into direct-to-consumer apps and inexpensive channel bundles, as well as suggesting changes cable companies may need to make, than any other topic on a call with analysts following the release of financial results Thursday. Cable companies that offer "large bundles" are "being challenged by these new entrants," said Mr. Iger. "We're seizing the opportunity to distribute our content with these new entrants because we think they deliver better user experiences [and] the price-to-value experience also tends to be attractive to young people." On Thursday, Disney signed a deal to include some of its channels on Sony Corp.'s PlayStation Vue service, a so-called "skinny bundle" offered through the company's videogame console. "They came to us to negotiate a deal because clearly the product they launched was not penetrating the marketplace as much as they expected and they needed ESPN and ABC," said Mr. Iger. A Sony spokesman didn't immediately respond to a request for comment. Mr. Iger also said of such less-expensive television offerings: "The more the merrier…clearly these platforms cannot launch successfully without our array of channels." The CEO touted a new digital service launching in the U.K. called DisneyLife that offers some of the company's movies, television shows, music and books through the Internet for about $15 a month. "You can use it in ways we think are far more compelling and typically a better user experience," than linear television, said Mr. Iger. The company may launch similar services in other countries, he added, or focused on

other brands. Though he didn't offer examples, Marvel or princesses would be obvious candidates.

At the same time, Mr. Iger also emphasized the value of "multichannel" cable and satellite companies to Disney, while essentially saying they need to step up their game. "Ultimately what we would want to do is work with distributors to make that product more compelling and more consumer-facing than it ever has been," he said. He noted the possibility of including past seasons of Disney-produced programs along with subscriptions to the current channels on which they air as one possibility.

His comments came as cable TV continued to be Disney's biggest business. Its revenue rose 12% in the quarter ended Oct. 3 to $4.25 billion and operating income jumped 30% to $1.66 billion. ESPN's affiliate revenue rose 8% and advertising about 9%, excluding the impact of a 53rd week on the company's fiscal calendar and the absence of the men's World Cup that aired last year. Overall ESPN subscriptions rose because this year, unlike last, included a full quarter of ESPN's Southeastern Conference-focused channel. However, ESPN experienced "a decline in subscribers at certain other of our networks," the company added.

The revelation last quarter that Disney's cable business wouldn't meet prior growth targets sent media stocks into a tailspin, a phenomenon that repeated itself Wednesday when Time Warner Inc. cut guidance, partially due to pay TV-subscriber declines. Driven by the hits "Inside Out" and "Ant-Man," as well as its cut of "Frozen" merchandise sales, Disney's movie business more than doubled its operating income in the quarter to $530 million, while revenue was roughly flat at $1.78 billion.

Consumer products revenue rose 11% to $1.2 billion and operating income 10% to $416 million even though Disney can't recognize the sales of merchandise tied to "Star Wars: The Force Awakens," until the hugely anticipated movie opens in December. The growth was driven by classic "Star Wars" merchandise, as well as Marvel superheroes and "Frozen." Total revenue at Disney rose 9% in the quarter to $13.5 billion and net income grew 7% to $1.6 billion. – ***Wall Street Journal***; **more from *New York Times***

Computing hardware has long served as the critical backbone of business operations. Today, the Internet economy is powered by an infrastructure that has become virtual, and is controlled by a small handful of tech giants. These companies are delivering online search, messaging, advertising, applications, computing and storage on demand—which has positioned them not only to empower business but to extract extraordinary value as it grows.

The latest evidence comes in the form of record earnings and towering stock-market valuations. Facebook Inc., for example, on Wednesday reported a 41% surge in quarterly revenue that was propelled by a dramatic rise in advertising on mobile devices. The social network's shares rose 5.4% Thursday, reaching an all-time high and pushing its valuation above $300 billion.

The company's strong numbers come on the heels of equally impressive results and upward stock movements at Google parent Alphabet Inc., Microsoft Corp., andAmazon.com Inc., which have built online platforms that allow them to profit as consumers and companies seek to connect with others. Anyone building a brand, for example, can't ignore Facebook's highly engaged daily audience of 1 billion. Anyone starting a business needs to make sure they can be found on Google. Anyone with goods to sell wants Amazon to carry them. Any mobile app maker needs to be available in Apple Inc.'s or Google's online stores. Any marketer with a video to promote needs to be on Google's YouTube, while producers selling music, film, and television distribute their works through Apple's iTunes or Amazon Video.

The giants have spent billions of dollars on computing hardware and data centers that run their own operations while increasingly providing free or low-cost services for startups

and many large corporations. Many longtime Silicon Valley executives are convinced that these companies have become fundamental to the business landscape. “You are seeing ecosystems built around all of these companies now,” said Enrique Salem, a managing director at Bain Capital Ventures and the former chief executive of Symantec Corp. “There is a platform shift happening.”

Put another way, they own the digital equivalent of railroad lines just as the Web enters a new phase of growth. “We’re just having an expansion of the total size of technology—whether it’s cloud computing, whether it’s devices, whether it’s social networks,” said Aaron Levie, chief executive of online file-sharing company Box Inc., one of the sector’s new entrants.

As revenues roll in, the giants can spend more money than rivals to improve their services. “All of these companies are operating in industries where scale is rewarded and where there is a very high level of capital intensity required to even hope to compete,” said Karl Keirstead a senior analyst with Deutsche Bank Securities.

Facebook, which says 1.55 billion people logged in during the month of September, has become particularly important as an advertising venue. The social network appears to have captured the market for ads on smartphones, which accounted for 78% of its ad revenues in the most recent quarter, up 66% from a year earlier. It also hosts free pages for 45 million small and midsize businesses, allowing them to interact with potential customers world-wide free of charge.

Amazon’s market value has nearly doubled in 2015 largely on the strength of its cloud-computing business. Besides online shopping, the Seattle-based company pioneered the business of selling metered computing and data storage to other companies. Its cloud unit, Amazon Web Services or AWS, claims more than 1 million active customer accounts, including high-profile startups like Uber Technologies Inc., Airbnb Inc. and Pinterest Inc. as well as government agencies and many well-established companies.

Google and Microsoft, meanwhile, have spent aggressively to build rival cloud services. They have matched AWS in cutting prices, adding new data centers and online software offerings and internally developed innovations that go far beyond raw computing.

At Microsoft, CEO Satya Nadella has pushed hard on cloud services to reduce the software maker’s reliance on the shrinking PC business. While its Azure service offers special advantages to longtime users of its Windows and Office software, more than 40% of its revenue comes from startups, said Takeshi Numoto, a Microsoft vice president in charge of cloud and enterprise marketing.

But older companies also are joining. ThyssenKrupp AG, a German industrial conglomerate that makes elevators among other things, collaborated with Microsoft to create a cloud-based system that gathers data such as how often and quickly doors open and close, said Patrick Bass, chief executive of the company’s North American unit.

Not that all computing jobs are moving to the cloud. Companies in industries like financial services and health care are expected to keep most operations in their own data centers, partly because of regulations about how they handle transactions and customer data. But cloud backers believe many of those barriers will fall. Rob Alexander, chief information officer of Capital One Financial Corp., said last month that the new security safeguards developed with AWS’s cloud service should let the credit card company operate even more securely in the cloud than on its own computers. – ***Wall Street Journal***

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