BCAP NewsClips

February 24, 2020

Pittsburgh Post-Gazette Fox Corp. and Comcast Corp. are each in discussions to acquire advertising-supported video services, as entertainment giants

A tale of two cities' tech jobs: New nonprofit wants to grow San Francisco, Silicon Valley pipeline to Pittsburgh

Pittsburgh Post-Gazette
Electric confusion: Telemarketing blitzes leave some utility customers baffled, regulators determined

Next TV
FCC Net Neutrality Docket Heats Up...Again

CNBC
Here's how NFL TV rights are expected to shake out for the rest of the decade, according to sources

Pittsburgh Tribune-Review
Chance to win 58th state House District excites Westmoreland Dems at endorsement meeting

Spotlight PA
How political party insiders – not voters – dictate Pa. special election candidates

Allentown Morning Call
Millions of people can vote but don't, even in swing states like Pennsylvania. Here's why.

Philadelphia Inquirer
Bernie Sanders is beating Joe Biden in the Pa. primary, poll says, and the race against Trump is tight

increasingly look to offer free or low-cost alternatives for consumers who don't want to pay for **streaming subscriptions**. Fox has expressed interest in acquiring Tubi, an ad-supported streaming service that carries reruns of television shows and movies, according to people familiar with the matter. The companies are discussing a deal that could be valued at north of $500 million, the people said.

Separately, Comcast's NBCUniversal is in advanced talks to acquire Vudu from retail giant Walmart Inc., according to people familiar with the discussions. Vudu allows consumers to buy or rent movies or shows and in 2016 launched a free, ad-supported service that includes thousands of movies and TV shows. Almost all major entertainment companies, from Walt Disney Co. to AT&T Inc.'s WarnerMedia, have launched or are preparing ad-free subscription streaming services to compete with Netflix Inc. and Amazon.com Inc.

But several companies also see the need to offer free, ad-supported tiers to reach other consumers. A Wall Street Journal-Harris Poll survey last fall found that Americans are willing to spend an average of $44 monthly on streaming video to subscribe to an average of 3.6 services. ViacomCBS Inc. outlined its streaming plans this week, saying its premium option will be Showtime, while a second option will be an expanded version of its CBS All Access subscription service. Other consumers will be able to access the ad-supported service Pluto TV, which predecessor company Viacom Inc. **acquired last year** for $340 million.

In December, the Journal reported that Comcast was **in exclusive negotiations** to acquire Xumo LLC, another ad-supported streaming platform. Sony Corp. last year formed a joint venture with media company Chicken Soup for the Soul Entertainment Inc. to launch a beefed up version of its ad-supported platform, Crackle. Chicken Soup for the Soul took a majority stake in the streaming platform, now called Crackle Plus, while Sony remained an investor.

The boom in ad-supported video "was the missing piece in the streaming wars," said Bill Rouhana, chief executive of Chicken Soup for the Soul Entertainment. "It's no surprise that M&A activity is increasing dramatically in the sector." Amazon's IMDb last year launched an **ad-supported streaming service** to complement the company's Prime subscription service.

Tubi would give Fox—which owns the Fox broadcast network, Fox News and Fox sports networks, among other assets—a platform with significant reach and a large customer base. Tubi said that in December it notched 25 million monthly active users. Fox could use the service as another home for content from its broadcast network as well as a promotional platform. Fox Corp. and Wall Street Journal parent News Corp share common ownership.

Based in San Francisco, Tubi streams content from Warner Bros. Entertainment Inc., Paramount Pictures and Lions Gate Entertainment Corp. Its most popular titles include "Scooby-Doo," "New Jack City" and "Daddy Day Care." The service is available on streaming devices such as the Amazon Fire Stick, Apple TV and Roku, as well as Sony and Samsung televisions. Tubi is available in the U.S., Canada and Australia. Vudu was **acquired by Walmart in 2010** for more than $100 million.

The financial terms Walmart and NBCUniversal are discussing couldn't be learned. The discussions may not result in a deal, the people familiar with the talks said. The talks come a few months before NBCUniversal launches **a new streaming service**, Peacock, which will include an ad-supported version for $4.99 a month and an ad-free tier for $9.99, as well as a more limited, free version with ads. The service will debut in April to Comcast and Cox Communications Inc. customers and to all consumers in July.

Vudu's ad-supported service would serve as a complement to Peacock, the people familiar with the talks said. The free service has recent titles such as "La La Land" and a large library of older ones like "Swingers," "The Karate Kid" and "Ace Ventura: Pet Detective." Vudu's online movie-rental service would support NBCUniversal's movie-ticketing and rental business, Fandango Media LLC, which is said to have more than 30 million online and mobile monthly visitors.

Vudu's movie-rental business is said to be about seven times the size of Fandango's by revenue, according to another person close to the situation. Walmart says Vudu is installed on more than 100 million devices across the U.S. In 2018 Walmart considered expanding **its video-streaming ambitions** by launching a subscription-supported service separate from Vudu, to compete with Netflix, but the company chose not to enter such a crowded, competitive market, said a person familiar with the situation.

If Comcast moves ahead with an acquisition of Xumo, it would be aligned more with the cable giant's Xfinity pay-TV platform, known as X1, as well as the company's streaming device, Flex, said a person familiar with the matter. The X1 cable box serves as a one-stop shop for Comcast pay-TV subscribers, since it includes both cable programming and access to numerous streaming applications such as Netflix. Flex is targeted at cord cutters who remain broadband subscribers. Last year, Comcast began offering Flex to its broadband-only subscribers at no cost. AT&T's HBO Max, which is launching a $14.99-a-month subscription offering in May, will offer a lower cost, ad-supported version at a later time. – ***Wall Street Journal***

We live in the golden age of OTT, a time when media brands are tripping over each other in a rush to enter the space. I'm surprised we do not yet have a Little Rascals streaming service. The problem with getting caught up in the glamor of OTT is we sometimes forget that economic rules are unaffected by advances in technology. The consumer video model, for example, is a classic case of price sensitivity: scarcity raises price, choice lowers price. Cord cutting and OTT cable light cable services are pure examples. Every consumer, to some degree, is price sensitive.

Not only is every consumer price sensitive, each has an internalized price ceiling. Consumers are only willing to expand that ceiling for genuinely new experiences. The original launch of Netflix and the introduction of smartphones are examples of new experiences that raised the consumer's price ceiling. What this means is today's consumer does not have an unlimited financial appetite for new streaming services. Every time a new OTT service is selected, the consumer will feel pressure to drop something else. Netflix's legacy

status gives it some protection, as does Amazon's tie to other Prime services, but after that it gets tough. Viewers signing up for ViacomCBS's latest offering, announced just last week, will feel pressure to drop something else.

As competition increases, one must ask what all this means to retransmission consent. Fortunately, broadcaster value is based on unique content. Since broadcasters have not yet reached fee parity, we know station rates will continue to rise. Consumers have reached their price ceiling, so MSOs and OTT cable light providers will be forced to either drop some cable channels or pay them less. Regional sports networks are the early victims. The next opportunity to expand the consumer's price ceiling will probably be the 5G home in which all technology works together in the background. We are a long way from that, but when it does come, fumbling through remotes, booting things up and trying to remember where Seinfeld is this week will have been replaced by a much simpler world. We know this because "simpler" is near the top of every consumer's wish list. By its nature, the 5G home will be more suited to a la carte on-demand than bundled channels, which will change the retransmission dynamic.

Right now, television station owners negotiate retransmission agreements based primarily on the value of network programming, which means a third-place news station receives the same per-sub payment as a co-owned first-place station in another market. A handful of top tier companies extract a premium for local news quality, but not nearly what that quality is worth. In a fully on-demand 5G world, stations would likely be paid not only on the value of national programming, but also on consistent viewership of local news. Like selling advertising, this will be good news for stations at the top, bad for those at the bottom. It would be a much fairer system than what we have now because strong stations might actually have some bargaining power when negotiating affiliation agreements.

Of course, by the time all this happens the days of five news stations in a market will probably be long gone. The Third Circuit's stop sign will either finally yield to reform, or future recessions and interest hikes will thin the herd naturally. Those who are left, presumably the strongest, should have a great business model going forward. Whatever happens in the future, a key driver will continue to be economics. – ***TVNewsCheck***