

AD WARS GO PUBLIC. DIRECTV AND VIACOM AIR ADS BLAMING ONE ANOTHER



Viacom and DirecTV impending divorce over carriage fee negotiations is spilling into a very public fracas with both ready to roll out advertisements, across multiple platforms, to wash their linen in public, to tell the world that they are right and that the other is wrong. DirecTV dropped more than a dozen cable networks owned by Viacom, including the hugely popular MTV, Nickelodeon, BET and Comedy Central from Tuesday onwards, when new fee arrangements could not be agreed upon. Even though negotiations are still on, given the current state of disagreements, the dispute is likely to linger for some time. "I think it's going to take a while," said Nomura analyst Michael Nathanson. "It shouldn't have gotten to this level and it did." Until a settlement is reached almost 20 million DirecTV subscribers, will not be able to see their favorite programs from Viacom's networks. Derek Chang, DirecTV's executive vice president of content, strategy and development, said that with viewer's interests paramount in their minds, they were desirous of continuing the programs, even as negotiation's were in process, but were denied permission by Viacom. Chang said, let there be no doubt in anyone's minds that the blame for the programs not being telecast lies entirely with Viacom, they are the ones to blame. Chang said that given Viacom's continued diminishing ratings for many of its programs, including the kids network Nickelodeon, their push to extract extra money is unmerited and undeserved. "Viacom is pushing DirecTV customers to pay more than a 30% increase, which equates to an extra \$1 billion," he said. Viacom responded to Chang's statements saying that what they had sought is "a fair deal that amounted to an increase of only a couple pennies per day per subscriber." Analysts however, believe that given its huge viewer base, the few pennies, part is a clever rhetoric to camouflage, that it will all add up to a neat package that could very well be close to the figure that DirecTV is claiming. DirecTV posted a video on its website with its CEO telling viewers that Viacom was asking for too much and that eventually the customers could end up paying more, thanks to Viacom's greed. Viacom on its part pulled the video of the DirecTV site and put up its own video on YouTube, contradicting every point, one by one. Viacom has also come out with a print ad campaign, with the tagline, "DirecTV is at it again, Waah!" with a solicitation to watch tonight, how DirecTV is taking away MTV and 25 other channels. In the third spot, Viacom is showing anchors and people upset about not being able to see their favorite programs, with one anchor even using the phrase, "What the F..." and the narrator saying that DirecTV took away all these programs and asking them to call their number and demand your favorite program. Yet another ad shows SpongeBob SquarePants, without trousers, scared and worried and exhorting parents, to think about the children, claiming that appalling wrong had been done to him by the rogues at DirecTV. However, Parents Television Council believes that DirecTV is right in taking a firm stand. Its President Tim Winter said, "During these hard economic times, consumers don't need the additional cost of cable channels that they do not watch and may even find offensive." While the ad war wages on, there is a lack of transparency in exactly what the financial implications are. Neither side is willing to tell the exact cost of carrying each channel. However, industry consulting firm SNL Kagan, says that the amount for Viacom's channels vary between 50 cents per subscriber per month for Nickelodeon to 16 cents per month per subscriber for Comedy Central. ESPN and TNT cost the most, with the former costing \$5 per subscriber each month and the latter \$1. DirecTV says that it is also worried that the amount of content Viacom puts online for free will drive away the paying customer, who may decide to opt for the free channels rather than pay and watch programs. Analysts have expressed surprise at how much content Viacom gives away free online. On Wednesday, Viacom stopped free online offerings of some of its shows including Comedy Central's "The Daily Show" and "The Colbert Report." Viacom spokeswoman Carole Robinson said that we have "temporarily slimmed down our offerings as DirecTV markets them as an alternative to having our networks." The public fight between the two giants has not gone down well with the viewers who have taken to Facebook and Twitter to tell them what they feel about them. Michele Godhigh wrote on a Facebook page, "Both are putting the customer in the middle, work it out or you both will lose. It's sad that we have to suffer because of your antics." It is not uncommon for financial and other feuds to occur between programmers and distributors, but rarely does it remain unresolved to the extent that channels get pulled. Once that happens, it is to be expected that there will be a lot of bitterness and rancor and settlement may take some time. Moreover, both Viacom and DirecTV will both be losers the longer the dispute goes on. Both have been together for seven years and have been feeding of each other, both will take a hit, if the divorce comes thorough, Viacom's ratings will plummet and DirecTV's subscribers will shift their allegiance elsewhere.