

Should the Bulk TV Cord Really Be Cut?

As TV viewers' preferences change and traditional bulk pay models decline, broadband providers must adapt and embrace new opportunities to offer bulk TV in the age of the internet.

By Bryan J. Rader / *UpStream Network*

I meet with homeowner association (HOA) boards and property owners every day. Many offer a bulk cable TV package for their residents or neighbors. These packages range from fairly standard “digital basic” products to much higher tiers of premium programming.

The longtime thinking was that owners or associations would select a broad, comprehensive package of digital channels to keep the individual rates low for their renters or homeowners. A typical bulk package might save an average user as much as \$50 a month.

It's the same mind-set as the Costco shopper: Buy in bulk; get a much better value.

For many years, this model worked. First it was 60 channels of analog programming. Then it evolved to digital and HD packages with more than 150 channels. It was fairly easy to satisfy the masses. You could carry MSNBC and Fox News. ESPN and Fox Sports. CBS and ABC. Easy to capture everyone's heart.

But something changed in the past couple of years. I started noticing this in many of my meetings with owners and board members. “My residents are becoming much more diverse,” they would say. “I have residents who don't watch American television,” reported others. And the most prevalent comment: “Many of my younger residents don't even watch TV anymore.”

Ouch. That last comment kind of hurt. One board member recently said to me, “How can I pay a bulk rate for 100 percent of my units when only 70 percent of them still watch traditional TV?” It's a fair question, and one that is consistent with pay TV trends on a national scale.

It's why not everyone shops at Costco, which sells only two brands of paper towels that must be purchased in large quantities. What about the other brands?

NEW ERA, NEW OPPORTUNITIES

Today, the traditional pay TV model is changing rapidly. The total subscription base peaked in 2010 and has been declining ever since. There is plenty of cord-cutting and cord-shaving.

Property owners tell me that revenue-sharing income from the old pay TV commission schedules on their retail agreements has become irrelevant.

“What once was a nice miscellaneous income stream has become a drop in the bucket,” one property owner explained to me. “Barely a third of my residents have a traditional product.”

In the condominium world, where the audience is much older, interest in bulk TV remains very high. “But if I sign a long-term agreement, I have to consider what I'm committing to if consumption behavior changes,” HOA boards say.

And we know it *is* changing. In fact, as of this writing, more than 5.5 million virtual pay TV subscribers accumulated in three short years. The plans they choose are cheaper, more accessible and mobile, and don't require expensive equipment. Upgrade, downgrade, vacation hold, add another user – all without a truck roll.

Yes, I know. Virtual pay TV plans would make great bulk packages one day.

What does this mean for independent operators?

It means some of our bulk packages moving forward may include smaller TV packages. They might be limited basic tiers or just broadcast locals. Some may include only broadband.

That's not true for every market. Bulk digital TV is a vibrant solution for many communities, including upscale condominiums with older clientele, student housing, senior housing or active retiree communities. The time to rethink the product or cut the bulk cord varies for every building.

The bulk digital TV trend is improving the necessity for a very strong bulk internet program. This has become the new normal. My advice is to bring flexibility to this market and pursue opportunities in which bulk TV can still benefit customers. We have to recognize that the traditional bulk pay TV model may no longer be for everyone. ❖

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