Cable and Streaming Video: A Marriage Made in Heaven?

A Q&A with CSG International's Sean Casey about new alliances in the video industry

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Recently, I had the opportunity to talk with Sean Casey, director of product management at CSG International, about why streaming services need to partner with the cable industry to explore new and exciting ways of engaging video consumers. CSG offers a variety of solutions and services for communications service providers that are navigating the digital world.

Streaming services continue to generate enticing industry news. Hardly a day goes by without another announcement. In July, Netflix and Comcast struck a deal to allow Comcast customers to stream Netflix content through their set-top boxes, and, since Sean and I talked, Hulu announced that its free offering of current TV shows – the offering that made it famous – will be replaced by a subscription online television service to rival cable TV.

Media attention to streaming services continues even though many streaming services have hit a plateau, their stock prices have declined and subscriber growth has taken a holiday.

Mike Kashmer: Sean, tell us why cable companies are exploring partnerships with streaming services.

Sean Casey: Netflix is the best streaming partner that a cable operator such as Comcast could hope for. The over-the-top (OTT) service Netflix is best at customer acquisition and is very attuned to what its subscriber base wants. It is prepared to partner with companies that offer the infrastructure and skills it needs. Netflix owns the analytics, and this intellectual property investment should serve it well for quite some time.

The consumer experience is now basically via the set-top box. Subscribers may not be digitally aware of the options they can enjoy until their cable companies aggregate a fresh variety of services, including Netflix, improving the overall customer experience.

This partnership will move Comcast away from the old cable image of poor customer service and lackluster program packages. No cable company is aiming to be the last legacy cable op standing. Cable operators see these partnerships as an opportunity to add new and exciting streaming services as a way of moving forward and offering a cobranded product that enhances overall customer satisfaction.

MK: Sean, Time Warner Inc. just announced that it would become a 10 percent owner of Hulu. What do you make of that alliance?

SC: These types of partnerships are to be expected, and there will be more down the road. We are seeing the vertical integration of the TV value chain. A content aggregator possesses the rights to programming, which is the key component of the business. Distribution methods remain important as well. A robust OTT platform opens many options for distribution.

MK: Can poor program quality be chalked up to growing pains, or are other factors at play here? And why is Netflix cutting back on the number of scripts it orders?

SC: I think it is a combination of growing pains brought on by technical changes that had to be made and the cyclical nature of the programming business.

What used to be a tech delivery question has evolved into a content issue. Netflix is closer to the Uber model, providing a ride for everyone from almost every location. HBO is focused on excellent original programming, including children's programming – a different approach that is highly successful.

MK: What do you think about Wurl Network, the latest addition to the tidal wave of IP content producers?

SC: An interesting comparison, Wurl Inc. and Netflix. Wurl is going after lower-tier, independent cable ops, whereas Netflix is concentrating on the largest cable players. Netflix stock is driven by subscriber growth, and the only way to spike sub numbers is a major distribution deal. A lower price point may include ads, which increases the potential for expansion. Pulling these new ventures together and making a *new* new digital commerce platform that meets changing customer expectations is key.

The customer for a 1996 mobile phone or a 2007 smartphone has evolved, and communications service providers need to overlay their legacy systems to support new offerings.

MK: How will subscribers sort through all these video choices to find the programs they are interested in?

SC: Customers expect a single search hub in this à la carte viewing era. A single application will offer a universal search, which will let them know exactly where that content, genre or specific show is available, what the cost may be and the options available for purchase. The subscription model will offer a remix of the services they already have in place. Cable operators are trusted aggregators that can bundle or unbundle services – whatever the consumer desires.

MK: So a cable company is expected to be able to offer these enhancements?

SC: Yes, it's a change from being a broadband service to being a disaggregator of sorts. It's a move away from traditional TV models to a bundled OTT overlay service. ❖

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