# What Is PCOs' Cheesecake?

## Private cable operators need a "signature dish" that will drive sales year after year.

By Bryan Rader ■ *Bandwidth Consulting LLC*

What is the "cheesecake" for private cable operators (PCOs)? What is the one item on the menu (product list) that drives property owners to sign new service agreements or renew existing agreements? Scraping away all the offerings and features, what is that one thing?

I mention cheesecake because that's the one item on the menu that keeps bringing customers into The Cheesecake Factory's nationwide chain of restaurants year after year. Once the only menu item, it's now the special point of difference for the company. Although The Cheesecake Factory has built an entire operation with hundreds of menu items, the cheesecake still drives customers to return. (I like the ridiculously big salads, too.)

How this company was founded is an interesting story. In the 1950s, Evelyn Overton found a recipe for cheesecake and made one for her husband's boss. He liked it so much that he asked her if she could make more cakes to give as Christmas gifts. In a short while, she was making cheesecakes in her basement every day in Detroit, and her husband was delivering them to restaurants in the evenings.

By 1975, the wholesale cheesecake business, which by then was based in Los Angeles, hit a slow growth period. Evelyn's son David suggested opening a restaurant to bring people in and sell them more cheesecake. The company found a location in Beverly Hills and opened the first Cheesecake Factory. In a few years, it opened several more restaurants in California and saw tremendous growth in its customer base. Cheesecake was jumping out of the case by the slice.

By 1992, the company went public and continued its compound annual growth rate of 27 percent through 2005. Founder David Overton said recently in Fortune, "I wanted a unique concept with the broadest and deepest menu in casual dining. It's a big part of what attracts guests."

All from a single cheesecake made for the boss.

### TIME TO UPDATE THE CHEESECAKE

So, what's a PCO's cheesecake? Think about the casual dining menu; it now has lots of different dishes – basic, lite, expanded, HD, Spanish, international, locals only, premiums, broadband, phone, security, and on and on. But does one item stand out among all of these products? Is there cheesecake?

For years, PCOs lived on solid basic cable packages. They customized 50- to 70-channel packages to meet the needs of specific resident profiles. The formula was used by most operators with a large degree of success: Offer local channels, a community channel and a large variety of cable channels in one solid package. Customers had no need for digital boxes unless they wanted more services.

This one product – often referred to as basic or expanded basic – drove the industry's growth throughout the 1980s, 1990s and early 2000s. Penetration rates were high, and margins were good. It became PCOs' version of cheesecake, the one menu item that was unique, special and very profitable.

Of course, over the past 10 years, the industry has had to adapt to new customer demands and new technologies to remain competitive. This is similar to what The Cheesecake Factory has had to do as well – keep modifying the menu to bring 'em in to eat more cheesecake.

Maybe the industry needs to go back and look at its own version of cheesecake. Maybe PCOs should attempt to recreate the expanded basic service that has been so popular for so many years. But rather than offer it as they once did, they should modify it to fit into today's competitive world.

What if the 50- to 70-channel package could be delivered over broadband to any connected device in an apartment? What if this traditionally unique offering were updated for today's consumer? In a highly competitive world, wouldn't that be effective in capturing a strong percentage of customers? Reliable, affordable, convenient, desirable.

Something to think about for PCOs. Keep expanding the restaurant menu (large product mix) but also promote one special cheesecake item (solid basic cable package over broadband) to remain competitive.

Now, I'll have a slice of that! ❖

**About the Author**

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