

PCOs Need a ‘Seinfeld Strategy’

Private cable operators must adapt their strategies to shifts in consumer preferences.

By Bryan Rader / *Bandwidth Consulting LLC*

On several recent earnings calls, Charlie Ergen, DISH Network’s founder and CEO, referred to his company’s activities as being part of a “Seinfeld strategy” – one that becomes clearer at the end of the process. His mature satellite business was no longer growing, and he was busy accumulating wireless spectrum, movie rental retail stores and Sling technology and dramatically increasing his cash on hand. The market wasn’t sure what he was doing.

Don’t worry, was his message. “We are utilizing the Seinfeld strategy,” he told analysts and investors. “There are a lot of things that happened in the first 28 minutes of the show, but it seemed to all come together in the last couple of minutes.” He continued to tell everyone, “You’ll just have to wait and see when it all comes together.”

His recent bid to buy Sprint revealed his “last two minutes” strategy for the No. 2 satellite provider, and it seems to connect dots that previously were plotted all over the map.

Ergen began developing his Seinfeld strategy after recognizing that the pay-TV business was changing and that future growth could not come from taking share from the slow-moving cable companies. In addition, rate increases were difficult in a highly competitive pay-TV market, and being a single-play provider in a triple-play environment was a tough long-term spot for his company.

He could have adopted a “George Costanza” strategy – moving around a lot without ever getting anything accomplished – but that wouldn’t have been a very good idea in a fast-moving telecom market, in which the Internet business was increasingly becoming the centerpiece.

So he spent his first 28 minutes of the 30-minute episode building blocks for a new product strategy to continue the momentum of his very successful company.

WHAT’S YOUR SEINFELD STRATEGY?

The question for today’s private cable operator (PCO): How are you spending *your* 28 minutes? What are you doing to prepare your business strategically for the next round of growth?

Ergen thought about this question as it related to the new world taking shape: the increasing importance of mobility, the demand for more spectrum to stream video to

connected devices, the trend toward personal entertainment consumption outside the home. He built pieces of the puzzle to address this future.

PCOs should be thinking the same way. What will the multiple-dwelling-unit (MDU) world look like at the end of this episode? In my view, it will present exciting opportunities for more bulk services, for more Internet-only businesses and for such new frontiers as student, senior and condo communities. The “choice is king” environment of some apartment owners is not a good place for PCOs.

MDU owners are starting to see cable TV penetration rates drop no matter how many providers they allow their residents to consider. One large apartment REIT recently told me, “We definitely see revenue-share payments dropping on video. Fewer residents take pay TV. Almost 100 percent take high-speed Internet; TV is definitely dropping.”

Today, PCOs mostly continue to lead with digital TV, but the future looks quite different as newer residents move in with their smart TVs and set up broadband connections to watch Netflix or iTunes shows.

How should PCOs spend their 28 minutes? They should think about reorganizing their companies to reflect the future MDU market. This might require a different strategic action for each company. It might mean building or enhancing broadband skill sets. It might mean developing a new marketing message. It could mean targeting entirely new market segments such as senior housing. It might even mean forming new strategic partnerships to address the onslaught of over-the-top content and consumption.

Whatever the solution is, now is the time to begin putting the pieces of this puzzle together, just as Ergen has for DISH. You don’t want your last two minutes of this episode to look like “Kramerica.”

Use your 28 minutes wisely. ❖

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