A Targeted Way to Grow a Changing Business

The rise of streaming doesn't mean traditional pay TV is dead. With some creative strategies, it can even thrive.

By Bryan J. Rader / *UpStream Network*

Yes, the pay TV business model is changing. Yes, the content folks have started a direct-to-consumer approach to go around traditional pay TV providers. And yes, each year the industry is losing 5 percent of its subscriber base (a figure that seems to be accelerating, I might add).

It reminds me of the brick-and-mortar retail business that has been upended over the past decade. The consumer shift to e-commerce forced companies such as JCPenney, Gymboree, and Payless ShoeSource to close stores across the country. Coresight Research expects an additional 12,000 retail stores will close by the end of 2019 – almost twice as many as last year.

Pay TV is experiencing a similar business structure shift. In 2018, the five biggest pay TV providers dropped 3.2 million customers, or 4.2 percent of their base. For 2019, prospects look even worse. Viewers spend more time on Netflix and Amazon Prime than they do on traditional TV.

SEPARATING WINNERS AND LOSERS

What does this mean? Are viewers done watching traditional TV? Will consumers never enter a physical retail store again?

No. Quite the opposite. These are simply the macro trends, looking at the entire industry. But within each sector, there will always be winners and losers. The winners are adapting; the losers have blinders on.

Consider one of the retail winners. Target is a long-time traditional general merchandiser and about as "traditional retail" as you can get, just as Comcast and DirecTV are "traditional TV" providers.

Target realized that the old big box retailer model was quickly changing, just like the big box programming bundle. It saw that Macy's, Sears and others were struggling and closing stores.

But Target did something smart. Rather than let its core business follow the path of Radio Shack or Circuit City, the company refocused on its primary business: the physical retail store.

The strategy is working.

Target has committed to investing $7 billion in its U.S. stores by the end of 2020. It is opening smaller stores in more urban areas to meet the needs of fast-paced city dwellers. It has expanded its grocery departments, added more private label products and improved product assortments.

Target's CEO recently emphasized convenience-driven fulfillment options, competitive prices and an enjoyable shopping experience as key to its success. He said the retailer's goal is to "deepen the relationship between the guest and our brand."

SHIFTING VIDEO STRATEGIES

Shouldn't this be the goal of broadband providers too? We are in a very similar consumer shift. We can choose to be winners or losers in this environment.

I get it. Providers don't have $7 billion to spend. But we can still make the traditional pay TV model work in the right way.

We can give our customers great programming packages they can watch at home or when they travel by downloading a free app (Target does something similar by offering in-store pickup or delivery). We can activate digital TV services the moment a customer moves into a new home without requiring an install (Target similarly offers Shipt, convenient doorstep delivery within a few hours). And we can modify HD channel lineups without set-top boxes that fit some of our specific resident needs (similar to Target downsizing its urban stores).

All these steps are right there for us to be the winners in our space. I think Target's thoughtful approach was exactly the right move, even when the business press questioned the company's views.

Maybe we should be contrarian too and invest in our traditional TV model. It could be the right targeted approach. ❖

Bryan J. Rader is the president of UpStream Network, a broadband provider (formerly Access Media 3). Reach him at brader@upstream.network or by phone at 314-540-1114.