

# The Future of Cable TV, Part 3: TV Everywhere

Extending cable pay-TV service to Internet-enabled devices appears to be a promising business model. The big unknown: advertising revenues.

By Chris Acker and Henry Pye ■ *RealPage Inc.*

In the last issue, we wrote that the future of cable television lies in on-demand services delivered over multiple platforms. TV Everywhere, sometimes called TV Anywhere, is an authentication system that permits such multiple-platform access. With TV Everywhere, traditional linear content – TV shows – can be made available to essentially any device with an Internet connection – a PC, an iPad or a smart phone.

Authentication allows a subscriber to prove, or “authenticate,” that he or she has paid for the content – that is, purchased the traditional linear version of the programming. TV Everywhere recognizes that Bob pays Comcast each month for the traditional linear HBO channels and therefore allows him access to HBO programming via the Internet on multiple devices. By now, nearly every cable TV provider, including Comcast, Time Warner, Cablevision, Verizon FiOS, AT&T U-verse and DIRECTV, has announced efforts to develop and roll out TV Everywhere products.

There are numerous business models for this online video revolution, and numerous vendors offer solutions. The key benefit for consumers is avoiding having to purchase programming multiple times for multiple devices. We believe including TV Everywhere as part of the traditional linear programming purchase is the model most likely to succeed because it addresses many fundamental business questions.

The most important question regarding online video is how content creators and distributors will be paid for their work. No one will spend \$1 million

to produce an episode of CSI without the promise of being paid. Amazingly, many online ventures that have received extraordinary fanfare have no semblance of a working business model to pay the programming creators and distributors. Although many networks rushed to provide online versions of their programming in the past several years, most are now retreating to traditional business models that generate revenue.

## SHOW ME THE MONEY

TV Everywhere addresses most of these concerns by essentially maintaining the current business model. Customers receive online access to programming they have already purchased via their traditional programming packages. The monthly purchase of multiplexed HBO will include access to HBO On Demand via the traditional cable TV service, as well as access to the same HBO content via any platform connected to the Internet. Customers get access to vast amounts of content at the discounted bundled rates they enjoy for today’s linear cable TV packages. They can then view this content on almost any Internet-connected platform at any time.

However, one aspect of TV Everywhere that is still unresolved is providers’ relationship with advertisers. With

traditional linear programming, this relationship is relatively simple. Advertisers pay to air commercials in specific time slots during a given program. If the same programming is delivered to multiple devices at multiple times, what is its value to advertisers? Is there a way to integrate today’s cable TV advertisers into an on-demand, multiplatform service? On-demand programs delivered to the TV via set-top boxes carry fewer commercials than their linear counterparts or none at all, indicating that their value to advertisers is perceived as low. But if advertisers cannot be included in an on-demand, multiplatform service, their dollars must be replaced from another source.

In the next issue, we will discuss over-the-top TV as an alternative to TV Everywhere. We believe that traditional packaged linear television packages enhanced by TV Everywhere best address the needs of content creators, networks, providers and customers. However, this belief is premised on an assumption that the traditional business model is viable in an online world. Many believe that online programming will create a completely new business model through which consumers can purchase content whenever they want, without the need for programming packages or possibly even for networks. **BBP**

## About the Authors

*Owners Corner is written by Henry Pye and industry peers. Henry is vice president of Velocity Advisory Services for RealPage Inc. (www.realpage.com). He can be reached at henry.pye@realpage.com. Chris Acker is director of Velocity Advisory Services and can be reached at Chris.Acker@realpage.com.*