

# The Middle Ground for Video

Even though traditional pay-TV services are declining, operators can still grow revenue and monetize new services through video.

By Joel Tyus / *Evolution Digital*

Every network operator in the United States is keeping a watchful eye on broadband-only and cord-cutting households. SNL Kagan projects that by 2021, the percentage of broadband-only homes will have grown to 22 percent. Operators, programmers and content makers all feel the pressure.

However, operators are in a unique position because U.S. households are still in need of high-speed, high-quality internet connections to consume not only the over-the-top content that they like, but also live content such as sports, local news and events programming, which are not typically available from popular OTT services such as Netflix. Consumers are instead turning to virtual MVPD services, including DIRECTV NOW and Sling TV, to get specific live content. But turning to these services often means paying multiple subscription fees, which may result in a higher overall cost for those who want to cut the cord.

As reported by Morgan Stanley, cable companies are hiking up broadband pricing as video revenue growth is increasingly pressured. Will this make consumers happy? No. Does it

pain operators to raise prices on a single product because of industry pressures? Yes.

As an alternative strategy, operators can position themselves to grow and retain broadband *and* video subscribers by offering a revenue-rich solution with all the features and functionalities consumers crave, such as simplified navigation screens with graphic-rich program tiles and sorted content – and most important, access to live and local content from the broadcast networks.

## BUNDLING HIGH-SPEED INTERNET WITH VIDEO SERVICES

Operators and consumers can find a middle ground in video content. Instead of losing video subscribers to third-party V-MVPD services, even small operators can offer similar services of their own (through white-label, managed video platforms) that they can bundle with high-speed internet, thus increasing their bottom lines without incurring massive capex or gouging customers at ridiculous price points.

To watch high-value content, consumers rely on access to high-speed connections. However, not all consumers who are considering cutting the cord subscribe to high-speed tiers. So why can't operators offer an incentive for those willing to bump up their broadband speeds – albeit at a higher cost – and throw in high-quality video at a huge discount? This strategy can lure subscribers into opting for a more expensive internet service and still give them the video they want at an enticing cost.

Operators can take advantage of customers' discontent with traditional pay-TV services.

The marketplace knows broadband is a mature industry. In fact, some experts say it is a plateauing industry. Therefore, operators need to find new and innovative ways to add value to their services.

The smartest way to tackle the market is to offer a video service coupled with high-speed broadband offering. For example, a cable or telecommunications provider may offer app-based video, including skinny bundles of national and local channels, a limited network DVR service, its own video on demand (VoD) content and universal search.

This model encompasses everything consumers want. Viewers won't need to flee to V-MVPD services when they can get the high-speed internet they need for streaming and video at a highly discounted rate. Operators have a unique advantage in being able to market themselves with this strategy.

### MOVIE RENTALS: A HIDDEN SOURCE OF REVENUE

Telecommunications operators often overlook the revenue potential of VoD movie rentals. Unlike typical OTT streaming services, which have a limited number of new release titles, most cable on-demand movie services get all the hit movies as soon as they enter the on-demand window. This business continues to thrive. The Digital Entertainment Group's 2017 year-end report noted that total home entertainment spending rose 5 percent to \$20.5 billion, which included growth in electronic sell-through and interactive VoD.

Video customers will find that cable operators are actually the best source for new release movies available in the market, as the leading OTT services focus the majority of their investments on original content and not on paying new release movie licensing fees. The data suggests that families are willing to pay for on-demand movies to watch in the comfort of their homes to avoid shelling out money

## The smartest way to tackle a declining broadband market is to offer a video service coupled with a high-speed broadband offering.

for the high-cost in-theater movie experience. Further, customers are inclined to pay for subscription VoD to watch their favorite TV shows on premium networks such as HBO and SHOWTIME. This influx of revenue from purchased VoD fattens cable providers' wallets by capitalizing on consumer desire to watch the "latest and greatest" programming available in the marketplace.

When movies are presented on newer services that deploy graphic-rich user interfaces and vibrant poster art, movie rental buy rates have actually increased by up to 30 percent, compared with legacy cable on-demand systems. For operators, the key is to offer easy-to-use, intuitive experiences that will keep their systems competitive with the popular streaming services.

### ALIGNING NEW BUSINESS MODELS WITH TRADITIONAL VIDEO OFFERINGS

How can operators grow their video businesses? They can engage with customers by investing in the back-office solutions that support multiple types of services (internet, video, IoT and so forth). Connected devices are the way of the future, so operators can set themselves up for success by future-proofing their business.

Authentication of multiple services through a single interface enables ease and comfort of use. When providers align video systems with their other services, they save money and add value by delivering services they don't own.

Operators are going app-based because they want to meet customer needs, knowing that customers enjoy Roku, Apple TV, Amazon Fire TV

and similar services. Customers traditionally have an aversion to leased set-top boxes. However, a recent study shows that pay TV operators are largely shifting toward Android TV leased set-top boxes, which offer a managed platform that gives operators autonomy. This benefits consumers, who can call their providers' help lines and receive help instantly. This isn't the case for third-party streaming devices.

### CONCLUSION

Operators are beginning to recognize the need to bridge gaps between high-speed internet offerings and next-generation video delivery. As operators strive to satiate consumers' growing need for the fastest, highest-quality connection speeds, they must also offer compelling video services that address and combat cord cutting.

Telecommunications operators that offer video are the incumbents in the industry most likely to strike the best programming deals. Therefore, they have the capability to offer bigger bundles of video content coupled with broadband – and the best deals overall.

Through video platforms, operators can begin to recapture and grow their subscriber bases. The resources and products are available to these providers, enabling the traditional pay-TV industry to beat out new streaming OTT services with breadth and depth of content and next-generation video delivery with no buffering or delay. ❖

---

*Joel Tyus is senior product manager at Evolution Digital, a provider of cost-effective solutions for small to medium-sized operators. Learn more at [www.evolutiondigital.com](http://www.evolutiondigital.com).*