



**Ekonomi Media, Sesi 11**

## **EKONOMI MEDIA CABLE-TELEVISION**

- Cable TV is not dead
- Cable subscriber losses mount
  - Internet TV

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## **Cable TV is not dead**

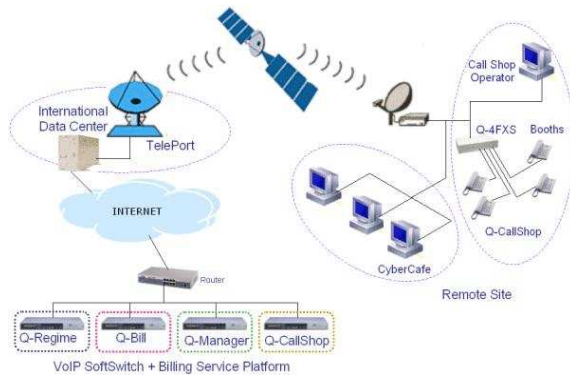
- Cable TV is not dead, but its audience isn't growing either. Cable operators all over the country have been steadily and slowly losing TV subscribers quarter after quarter. A year ago, some people wondered if Internet TV services like Netflix and Hulu were attracting so-called cord cutters. But Craig Moffett, an analyst with Sanford Bernstein, thinks there are other forces at work.
- Increased competition from satellite and phone companies offering TV service is the main reason that cable operators are losing TV subscribers. But the sluggish economy is also contributing to the malaise.



**"24 HOURS WITH NO SLEEP?" Direct marketing for Cable Television Network by Hakuodo**

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- "The category itself isn't growing, and that's a function of two things," Sanford Bernstein analyst Craig Moffett said in an e-mail. "First, there's almost no new household formation, so there are no newly occupied homes to serve. And second, the low-end consumer is being priced out of the market."
- Even though some people may be forgoing cable TV for services they can get online, the majority of Netflix and Hulu viewers are also subscribing to a paid TV service, Moffett said.
- "The Internet TV thesis is the sexiest [one to explain subscriber losses]," he said. "But it has the least amount of evidence to support it." Below is is Fiberline Cable TV network takes you a step forward in television viewing.



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3

## Cable subscriber losses mount

- Every major cable operator in the U.S. lost TV subscribers during the third quarter of 2011. But the good news, say experts, is that they are losing fewer than they did a year ago.
- Comcast, which reported its third-quarter earnings on Wednesday, lost a total of 165,000 video subscribers for the quarter. But these losses were actually an improvement over the same quarter a year ago, when the company lost 275,000 TV customers. Comcast ended the quarter with 22.4 million subscribers.
- Time Warner Cable reported it lost 126,000 video subscribers, ending the quarter with a total of 12.1 million subscribers. Cablevision Systems said it lost 19,000 video customers, finishing its quarter with 3.3 million subscribers, and Charter Communications reported losing 69,100 video subscribers to end the quarter with 4.4 million total customers.

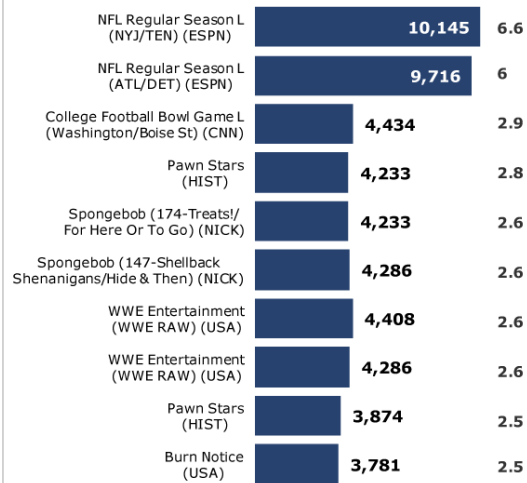
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4

### Top 10 Cable TV Programs

(No. of Viewers (000) / Rating )

#### Week of Dec 17, 2012



MC MARKETINGCHARTS.COM

Source: Nielsen

- Despite all these losses, the cable industry as a whole saw fewer losses in the third quarter of 2011 than it did during the same quarter a year ago.

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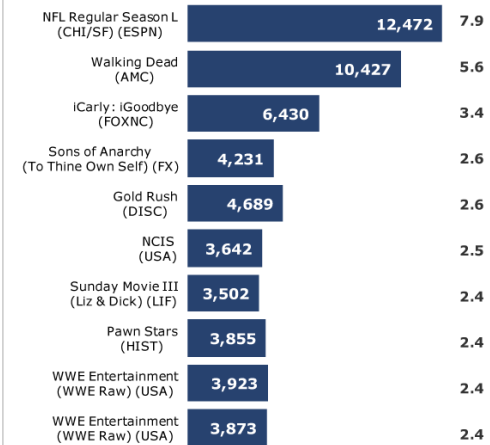
5

- Collectively, the cable industry lost about 384,000 video subscribers in the third quarter of 2011, which is about 145,000 fewer than last year for an improvement of about 27.9 percent, according to Moffett.

### Top 10 Cable TV Programs

(No. of Viewers (000) / Rating )

#### Week of Nov 19, 2012



MC MARKETINGCHARTS.COM

Source: Nielsen

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6

- Competition is the main reason that cable operators are still losing customers. The phone companies, especially, have been aggressive in their pricing in areas where their services compete directly with cable.
- But given the expense of building these networks, AT&T and Verizon Communications will not be able to compete everywhere a cable operator offers service. Still, satellite TV is also putting up a good fight.
- And Infonetics Research predicts that worldwide cable TV revenue will continue to decline as revenue from satellite TV increases. And by 2015, revenue from satellite video will nearly catch up to levels spent on cable.



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## Economic slowdown to hurt growth all around

- Indeed, TV subscriber growth for the phone companies is also slowing. In the third quarter, AT&T said that it added 176,000 TV subscribers to its U-Verse TV service. This was the lowest number in three years, according to the Associated Press. AT&T now has 3.6 million video subscribers.
- Verizon Communications added 131,000 subscribers to its FiOS TV service to end its quarter with 4 million total subscribers. But this was weaker than analysts had predicted. And growth was slower than previous quarters. In the second quarter, Verizon racked up 184,000 new Fios TV subscribers, and in the third quarter of 2010, it added 204,000 new subscribers to its service.

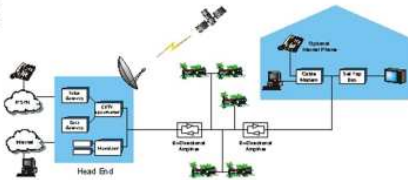


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- Verizon blamed part of its sluggish subscriber growth on bad weather in September on the East Coast and a worker strike that shut down operations. But it still seems like the bigger picture is that overall growth in the paid TV market seems to be slowing. And the equilibrium that Moffett talked about is likely to hit soon.

## Two-Way CATV

- Lower Frequency Channels used for Return Path
- Upper Channels Digital
- Bi-Directional Amplifiers
- Two-Way Data Services



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Introduction to Cable Television - CATV

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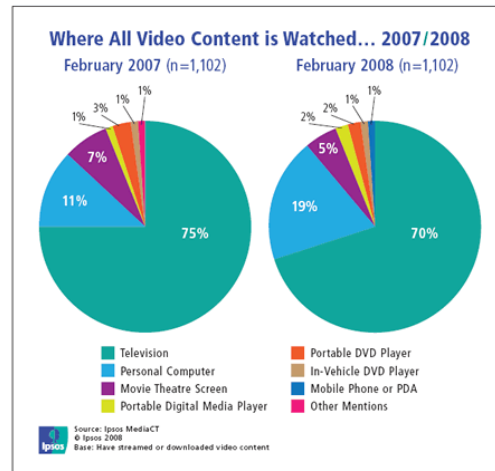
## Internet TV

- Still, the threat of Internet TV from services like Netflix or Hulu cannibalizing the paid TV business seems distant and unlikely at this point. Indeed, most people using these Internet TV services also subscribe to paid TV services. They use Netflix or Hulu as a supplement and not a replacement to their TV viewing.
- The recent price hike and service changes at Netflix has only helped paid TV companies maintain their grasp on consumers. This summer Netflix angered its customers by raising prices on its streaming and DVD-by-mail services.



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- The company further confused and angered customers by announcing it would split its service into two separate Web sites and services offering one service for DVDs and another for streaming video. The company abandoned this plan after a deluge of negative feedback from analysts and customers. But the price hike remained.
- But it seems that the missteps made by the company's management team have irritated faithful customers. And in the third quarter, Netflix reported it lost 800,000 subscribers.



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11

## The poverty problem

- Still, cable companies are facing a major problem that could hurt their businesses in the long run. As the U.S. economy continues to stagnate and unemployment hovers around 9 percent, an entire segment of the population cannot afford cable TV. And these are the subscribers that are canceling service.
- As the New York Times said in a recent article on this topic, "Even as Internet video viewing increases, the vast majority of American households are still paying for television subscriptions and watching most video that way. Those who are canceling are doing so, it seems, because of poverty, not improved technology."
- While some cable operators, such as Comcast are seeing average revenue per subscriber increase as customers sign up for DVRs and other additional services, other cable operators, like Time Warner Cable, say they also see customers at the low end of the economic spectrum cutting premium services, such as HBO.

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12

## Time Warner Cable

- In an effort to address this segment, Time Warner Cable has introduced its TV Essentials program, which offers its customers a stripped down version of its service with fewer channels at a lower price. But despite the fact that the package has generated lots of interest, Time Warner Cable CEO Glenn Britt has said that the company hasn't seen a lot of adoption.
- The reason could be that the service, which debuted in New York City was priced around \$40 a month. This is only \$10 more a month than its lowest tier of digital TV, which is offered for \$50 a month in Manhattan.



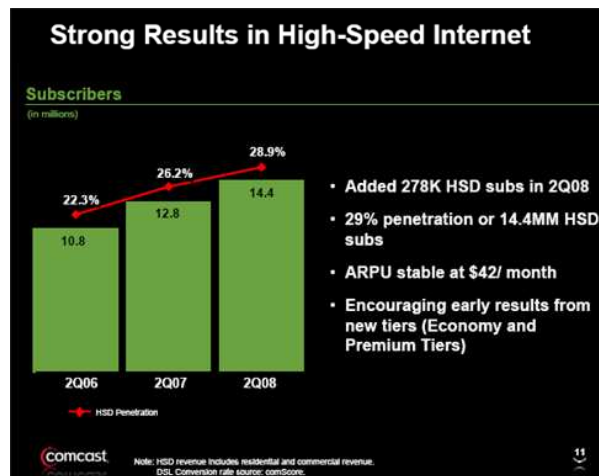
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- So where does this leave the cable companies? While some providers, such as Comcast, may be able to eke out more revenue each quarter from existing customers who can afford to pay for more services, substantial growth in this sector will be harder to come by unless the economy recovers. With fewer new households being added and fewer customers able to afford these services, cable, satellite and telco TV providers will be duking it out for the customers remain.



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## Internet TV Players

- The four major companies that make up a majority of the internet television industry based on total number of videos are: Google/YouTube; Fox Interactive Media; [Hulu](#); Yahoo Sites
- There are many other companies and websites that offer online television and video but do not account for nearly as much of the industry as the top four (YouTube, Fox, Hulu, Yahoo). These companies are primarily based on content, ease of use, advertising, features, and help/support. Some of these sites include: [Fancast](#), Modern Feed, [Veoh](#), AOL; Various broadcasting companies such as Comedy Central, CBS, ABC, WB, TNT, Discovery, USA, and ESPN 360; [Babelgum](#); [Joost](#)
- The main competition in the industry comes between YouTube, Fox Interactive Media, Hulu, and Yahoo Sites. They offer the most amount of videos and have become the most popular and most used internet television sites. The other smaller companies do not offer as much as the top four so they do not pose a threat in any competition.

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- In a very recent article from CNET, ComCast (who owns Fancast) is planning on offering all their cable television shows on the internet, in an effort to "remain relevant" in the growing television internet industry. To watch these videos, you must be a member of the ComCast cable company, but you get access to all the shows seen on TV through ComCast. The exact details of their upcoming releases are not being shared with the public yet, but what is known is that they plan on offering free shows through the internet of what is seen on their cable network.



**Comcast Set Top Box to Compete Google TV.** Comcast set top box with internet TV feature is coming soon. To keep pace with Google's version of "connected TV".

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## MySpace News, YourSpace news

- In any case, this new service from the geniuses at Fox Interactive Media (which owns MySpace and is a unit of Rupert Murdoch's media and entertainment behemoth News Corp.) was reported to be coming in March, according to Terry Heaton's PoMo blog. The service will pull in news from RSS feeds — although News Corp. says it will not favour its own services and newspapers — and users can also submit stories, and then vote on them. Apparently news services will be able to opt out and not have their articles displayed, according to News Corp.
- Despite the fact that most people who go to such "user-generated" media sites don't actually submit or perhaps even vote on stories, as Seamus McCauley discusses here (based on a new Hitwise survey), I still think this kind of thing could turn out to be very powerful, and that MySpace is smart to do it. MG Siegler at Parislemon says he is skeptical, and Seamus says that it is a missed opportunity, while The Last Podcast says it is just plain bad. Eric Berlin says MySpace missed the boat and should be focusing on getting user-generated content from its members.

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- The questions in my mind are these: What happens to Jason Calacanis's Digg-ified Netscape? Or to Digg itself for that matter, which has been trying to branch out into non-tech news but without much success (as far as I can tell)? With 100 million members, MySpace has more than 100 times the audience that Digg does. Better yet, how long until Google News decides to add a user voting system? Now that would be fascinating.

## MetaMirror

- MetaMirror concept gives TV viewers a second screen. Right now, it's simply a conceptual platform for interactive television viewing, but this CNET article speculates that MetaMirror could become the way we all watch TV in the future. Here's how it works: viewers watch their traditional television just as they do today while the video is mirrored on another device - like an iPad or smartphone - along with information about the program. For instance, if a viewer is watching sports, the secondary device might display player stats alongside the match.

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- A viewer watching a cooking show would see recipe information on their second screen. MetaMirror is the brainchild of Irish design firm Notion.
- Notion is looking for a development partner for MetaMirror to bring the concept to reality. With other companies, like Google, developing new television viewing interfaces connected to broadband, it's likely that users will see several different products in coming, designed for innovative TV viewing.



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