

Moore Analysis

TV Service Providers Must Use Customer Connection to Compete in Internet Connected World



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DTC is a boutique market research firm that tracks and analyzes the worldwide consumer digital TV and video marketplace. For more information on the company and its latest market intelligence on the digital TV and video market, please see www.dtcreports.com.

To an outside observer one might conclude that traditional TV service providers are facing a bleak future as internet delivered TV providers snatch large swaths of free-to-air and pay TV viewers to get their TV fix from the Web.

Those inside the worldwide broadcasting business recognize the absurdity of this view. Traditional TV services remain the overwhelming sources for TV viewing, and traditional providers are making the capital expenditures to digitize and create new revenue generating services off of system upgrades. According to DTC estimates, digital pay subscribers grew from 316 million in 2009 to an estimated 372 million in 2010, and are expected to surpass 590 million by 2015. Many of these are boosting ARPU where HD, PVR, and other high-end services are being adopted.

Incumbents, however, also recognize that to ignore the evolution of the internet

as a viable TV programming source is folly, particularly as this evolving distribution method becomes more relevant as the gap between the PC and TV is bridged. Video consumption via the internet is on the rise exponentially, with nearly half a billion Internet video viewers estimated at year end 2009, a number expected to exceed 700 million by 2015 according to DTC's latest research.

Only a fraction of these are paying to watch internet TV, but smart programmers and service providers recognize that they must accommodate some internet delivered programming. On-demand libraries that efficiently offer niche programming will likely find their place alongside traditional services but not until traditional providers integrate programming guides that "meld" all programming into a seamless interface and programming guide. The smartest content and service providers are testing new

business models that give viewers programs both inside and outside of the pay pen.

Ultimately, the method by which a subscriber gains access to content, whether through the internet, pay TV services, or some combination of the above, is likely to lose distinction over time.

The key to a successful business in the future won't be how a service is connected to a subscriber, but rather the strength of that connection. Pay TV operators start with a natural advantage because they have a strong tie to existing paying subscriber bases. But their future success will hinge on how they can deliver content from multiple sources to a single viewer.

Est. Worldwide Digital Pay TV Subscribers

