What You Didn't Miss By Not Attending the Cable Industry "National Show"

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The cable industry's National Show was notable for what it wasn't. Most significantly, it was nothing like it was in the "good old days." It smacked of a middle aged industry moving towards change, with a bit of a paunch, under some duress, and not quite sure what it wanted to be when it grew up—but somewhat nervous because it knew that it had been almost 30 years since the advent of HBO and 50 years since the first cables were strung in the hills of Pennsylvania.

The 2003 show wasn't filled to the brim with programmers and teeming with cable operators looking to add exciting new video services or plant extensions. Instead, it was subdued and focused on technologies, such as VOD, Voice Over IP, and HDTV. Microsoft had a pavilion that was larger than the cable industry's number one premium service, as HBO was tucked away along side by the (gasp!) other basic services peddled by AOL Time Warner. "Multichannel News" magazine described the show as a "calm convention"—I describe it as lacking the sizzle, excitement, and promise that emerging industries often have and was a constant of every past cable show.

Cable operators (and some more than others) looked each other in the eyes and proclaimed that it was not really about the number of video customers they maintained but more about the ARPU (Average Revenue Per Unit) and the increase of digital video and broadband customers in 2003. DBS's growth had almost peaked and would level off in the next year or two, I was assured.

After pouring 70 billion dollars into its infrastructure, the cable industry was now unleashing its arsenal of new technologies designed to win back the hearts and minds of its current and former customers. But in the same week, "Cable World" magazine's cover article was entitled "Image Problem"—and was a survey that showed consumers aren't still enamored with their cable service. Why is this? According to the article, some of the reasons are that 36% of the cable subscribers have either a fair, poor, or no opinion about the way their cable company is managed. 55% feel cable is only a fair or a poor value for the money. While not all of the survey was bad news for the cable industry, the bottom line was this—in 2003, 51% of all cable customers have thought about subscribing to DBS in the last year and 25% of all cable customers have actually called a DBS company for information or stopped by a store to check out the dishes. These 51% and 25% potential defectors have actually increased from 2000, when only 45% and 22% either thought about subscribing to DBS or contacted a DBS provider. These particularly are ominous numbers considering that more cable customers are considering switching to DBS even after DBS has assimilated millions of cable customers since 2000.

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"We have the technology to dominate DBS," a cable executive told me, and some of the planned technologies that cable may offer in the future were quite impressive. But "what technology can give, technology can take away," Matt Oristano, CEO of People's Choice TV recently told me. As an example, several small telephone companies or Incumbent Local Exchange Carriers (ILECs) provide multi-channel video service over (telephone) twisted pair wire. And the Regional Bell Operating Companies and the other ILECs are as interested in adding a video solution to their voice and data products as the cable industry is in adding voice to their data and video products. My prediction is that some time in the next few years, multi-channel video service will become commercially viable for telcos. And how will the cable industry react if the three giant RBOCs begin aggressively deploying a video product to converge voice, video, and data? While I'm certain that there will be an equally aggressive competitive response from the cable industry, DBS is not the only potential video provider that the cable industry should consider.

On the first day, I overheard one attendee ask an exhibitor, "How do you

get to the bottom floor of exhibits?" Sheepishly the exhibitor replied, "This is it." For a long second, silence followed, and then ended by a mumbled word of thanks as the attendee walked off shaking his head. A long wall of blue curtains walled off almost one-third of the exhibit hall. And behind the wall lay an expanse of empty exhibit hall with a glistening concrete floor and a seemingly ghost or two of National Shows gone by.

I flipped through the trade magazines during the week before the National Show and was struck by the lack of a prominent article proclaiming how many attendees were registered to attend the show, and how many more or how many fewer it was than last year. My take is that since attendance was less than the last few years in both attendees and probably exhibitors, this was no longer news to the cable industry's press. Actually, this makes it sound even more like news to me.

The cable television is an industry going through profound change—and it's a little sad while at the same time exciting to wander through the exhibit hall and see a shrunken show reflective of consolidation, reduced travel budgets, and the birth of new technologies of promise seemingly transcending the legacy video business. There remains numerous entrepreneurial opportunities for many in the cable industry—but things are changing too, as consolidation and economies of scale reflective of a maturing business that will be required to compete more completely for it's video, voice, and data customers. The "good old days" in the cable industry are going and may be completely gone in another five years—but the world and future trade shows may become a more crowded place as telcos, cable operators, wireless operators, and Private Cable Operators all attend the same show since they are competing for the same customer with the same services. ■

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About the Author

Don Kent has spent over 25 years working with Private Cable Operators, wireless broadband providers, and early stage companies specializing in the delivery of broadband and digital content services. Please address questions or topics that you'd like to see discussed in subsequent columns to Dkent@HTINC.com.