



# USD TV: Are They A Competitive Threat To Private Cable Operators?

Experts Say No Way

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Ten years ago, DirecTV revolutionized the video playing field when it launched an all-digital video service. It provided service to residents in rural areas where cable wasn't available, and offered customers a choice where cable was the incumbent operator. During these last ten years, DBS has profoundly impacted the level of service that many Private Cable Operators (PCOs) provide to their customers. In fact, some PCOs have partnered with DirecTV and EchoStar to offer their customers a hybrid analog and digital video product, while others have expanded their lineups by purchasing additional headend equipment themselves. But no matter how PCOs have responded, DBS offered a service that changed consumer expectations and required a competitive response from the private cable industry.

In 2004, USDTV launched a wire-



11 channels of satellite programming. Included in this package are the broadcaster's local HDTV services.

Popular satellite channels, including ESPN, Starz!, Discovery, The Disney Channel, TLC, and Lifetime. At USDTV's Salt Lake City system, the company provides a total of 30 channels of programming, of which many are the

USDTV hopes to capitalize on the feelings by consumers that cable television is too expensive and the belief that some consumers are primarily interested in watching broadcast stations with only a few channels of satellite programming. While USDTV has launched in only a handful of markets, does their wireless video service have the potential to change the television landscape as DBS did?

Matt Oristano, former CEO of People's Choice TV,

is viewed by many as being one of the wireless industry's savviest video and broadband strategic thinkers. Under his leadership, People's Choice TV launched a thirty-channel low cost "wireless cable" product in 1991, eventually serving tens of thousands of customers in Chicago, Houston, St. Louis, Phoenix, Detroit, and Tucson. Mr. Oristano exited the industry in 2000 after successfully selling to Sprint for more than \$500 million.

Matt Oristano said, "When we launched People's Choice TV in 1991 with a 30 channel service, we were competing with a cable operator that had about 55-60 channels in its total service and about 45 channels in basic. For \$19.95, [People's Choice TV] customers got the channels they really watched, which included CNN, ESPN, TBS, TNT, USA, Discovery, Fox Sports, and Nickelodeon."

"Things have changed since then," Oristano continued, "and basic pack-

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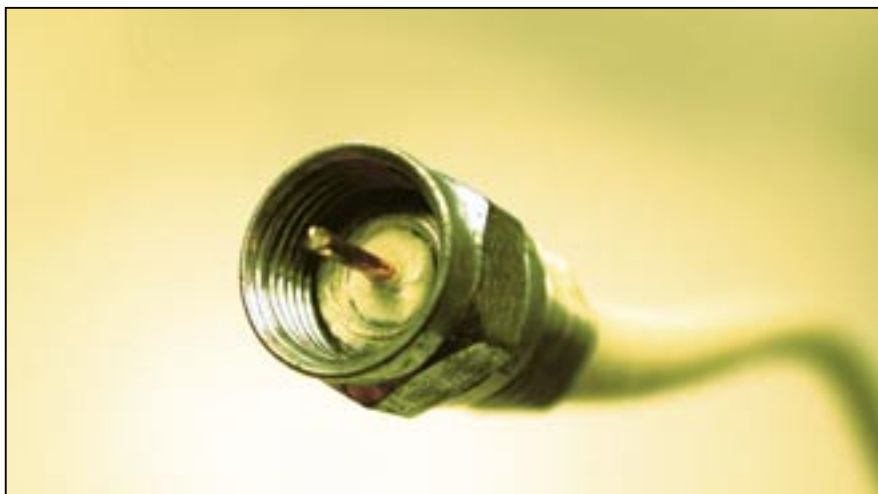
less video product designed to offer consumers additional choice. The company offers customers a low-cost alternative for those interested in receiving the broadcast television channels and

broadcasters' duplicated analog and HDTV signals. This lineup includes a video program guide, ten satellite channels, and 19 local radio and broadcast television services.

ages are 70-80 channels today. The Dish has 74 channels in its basic programming for \$24.99. USDTV charges \$19.95 a month and is missing many of the most important services, including CNN, TNN, and USA. USDTV's cost per [non-duplicated] channel is over \$1.00, while Dish's is just \$.34."

"USDTV will indeed realize some subscribers, but their numbers will be minimal," Oristano predicted. "Today's consumer culture is hooked on having it all; whatever it wants, whenever it wants. The small segments of people who don't buy pay television now are either too poor, or just not interested in our consumption-oriented culture. There will be precious few people who aren't served by today's pay TV operators, and who would make good sales prospects. Sorry," Oristano concludes, "I just don't get it."

In 1991, People's Choice TV offered twice the number of satellite services as are in USDTV's current lineup, during a time when the other video providers



cluded HBO. While USDTV offers Starz! in their basic package, it excludes Encore, a movie service that is sometimes used as a companion product to Starz!

In the mid-1990's as DBS began to penetrate the market, Oristano discontinued marketing his low cost video product and deployed a digital video product that was competitive with DBS

routinely offering free installations and up to four rooms of free equipment. These types of promotions will make it more difficult for USDTV to maintain its "price leader" positioning. As an example, with EchoStar's current sales promotion, those Salt Lake City customers interested in receiving service on more than one television could actually save money by subscribing to EchoStar. Besides that, they'd receive over forty more basic channels of services as part of the bargain.

USDTV will appeal to a niche of television watchers, but probably a small one. Matt Oristano, the man that coined the slogan "no excuses TV" when he launched People's Choice TV's low cost alternative to cable television, is not a man to bet against. While some price conscious or moderate to infrequent television watchers will find USDTV appealing, it will not become a competitive threat to PCOs' primarily young demographics, many of which are heavier television watchers and subscribe to broadband, pay television, and pay-per-view. ■

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were not nearly as competitive as they are today. And while People's Choice TV typically provided their customers with twenty of the most popular satellite channels on basic, USDTV carries only eight of the mostly highly popular services. As Oristano suggested, their lineup is notable for what is missing. The People Choice TV product also offered pay-per-view and a choice of optional premium services, which in-

together with a high speed Internet service. SpeedChoice, People's Choice TV's broadband product, proved the viability of wireless broadband and caught the eye of Sprint. Sprint later purchased People's Choice TV at almost twenty times what its stock was trading for at the time.

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**TABLE: Current USD TV pricing model**

<b>Monthly Cost</b>	\$19.95 includes all local HDTV channels
<b>HDTV Equipment Cost</b>	\$99.95
<b>Installation</b>	Free
<b>HD Content</b>	All local HD channels, plus HDTV for all the best programs & big TV events on the broadcast networks
<b>Price Guarantee</b>	Two Years. No monthly fee change until 2006

**About the Author**

*Don Kent has spent over 25 years working with video operators, broadband service providers, and with early phase 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.*