

This Idea is Priced to Move

Property owners have begun to adjust rents on a day-to-day basis; what about cable operators?

By Bryan Rader ■ *MediaWorks*

I was always fascinated with the process that hotels go through to price their rooms. A full-service hotel may have a broad pricing range from \$129 to \$199 per night – and sometimes an even greater range. This rate varies based on the time of the year, time of the week, market conditions and current occupancy levels.

The hotel industry has done a terrific job of maximizing room rates based on real-world conditions. If you show up at a hotel at 11 p.m. and they're sitting at 75 percent occupancy, you may get a good rate (if you ask). On the other hand, the next night when the convention is in town, your rate will jump, and may double.

What do the hotels know about “price maximizing” that we in the broadband industry don't know?

What The REITs Do...

Recently, the multi-family industry has jumped into this pricing process too, being lead by many of the apartment REITs, including many of our clients. They are using new software such as M/PF's Yield Star Price Optimizer, that is accessed at the on-site level.

The “price optimizer” software sets the rent levels to be followed by the on-site staff, with a pricing methodology that uses data including the number of vacancies and forecast market conditions to find the highest marketable rent for a vacant unit. A prospective new resident may get different rent quotes for a desired two-bedroom apartment based on the day or the period of the month that he is shopping.

It appears that property owners love this software. The CEO of Camden Property Trust was recently quoted as saying, “it allows you to move up your rents faster than a competitor in an up market, and in a down mar-

ket you can adjust your prices down faster.” This particular REIT believes that roughly 25 percent of its recent rent-rate growth was directly related to this new pricing technology.

So if it works for hotels, and for property owners, why can't we figure out a way to “optimize” our pricing in the private cable business? Why can't we throw all the market fundamentals into a system, and have it kick out the optimal price point for a bundle of telecom services?

Let's look at how pricing has historically been handled by the world of private cable operators. This is a universal approach that we have seen among many of our operator friends in this market. First, the PCO looks at the local market's franchise operators – Comcast, Time-Warner, Charter, whomever – to see how they are pricing their full basic package (without digital service). Are they charging \$42.99, or \$45.99, or \$48.99? Then the PCO looks at its lineup compared to the MSO and knocks a few dollars off the franchise operator's rack rate. This “discount” may be due to the lack of a particular channel, or feature, or because the PCO feels he is the “no name” operator.

So now he is charging \$42 a month for full basic compared to the \$45.99 Charter rate. And broadband pricing is done the same way. What does the local telco charge for DSL? How about the franchise operator? And how do my speeds compare to theirs? Throw the inputs into the computer and poof – out pops a \$35 a month broadband rate.

And that's it! The PCO now has his rate card for the next year.

... And What We Should Do

In many cases, PCOs are not watching the satellite competitors' pricing plans (especially during the holi-

days), or the franchise operators bundling efforts, or the DSL promotional rates. But the market changes several times throughout the year.

Other market conditions and factors are very important to consider, too. What is the satisfaction level of your current lineup? Are you missing any key services? What is the occupancy level of the property you are serving? Are you currently seeing a high penetration rate of occupied units with minimal defections to a dish? Do you consider bad debt rates, theft of service, and economic levels of your subscriber base when determining your rate?

These types of issues can present tremendous opportunities for PCOs to react quickly to market conditions and adjust pricing to maximize revenues and subscribership levels.

If the local telco drops its DSL install fee and lowers its rate to \$19.95, do you respond? Do you have a system in place to know to respond?

Just like the hotels and property owners, PCOs could really benefit by re-visiting our approach to pricing. I think a better solution could help all of us.

I want to be sure that we charge the “optimal” rate to win every new move-in based on all market factors at the moment.

Shouldn't a “price optimizer” method exist for PCOs? [BBP](#)

About the Author

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