

Cable Programming Buzz – Is It Gone?

The rise of Web video has exacerbated cable's already slowing growth. Niche Nets Beware!

By Michael A. Kashmere ■ *Broadband Properties*

Cable programming has long been the capital of cool for kids and adults. Remember the “I Want My MTV” tagline? Nielsen rating numbers told Madison Avenue that this was the place to be. Cable was growing so fast. Traditional broadcast rivals were stumbling. Operating cash flow and double-digit revenue gains were common.

Is that the case now? Subscriber revenues to programmers are growing only about 8-10 percent. Ad sales growth in many cases has shrunk to zero. Many nets are hitting the wall. Even success is relative. MTVN, for instance, has year-over-year cash flow and revenue slowing to a rate of only 6-8 percent after years of spectacular growth, like 17 percent.

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What is the real culprit here? Is it the economy or competition from the Web? Cable nets continue to fight for any increase in carriage fees and easy growth seems to be long gone.

Online video has seized the buzz and ad sales have followed. Cable networks don't want to discuss how their competition position has been eroded. Unless this threat is acknowledged and con-

fronted, the future of cable is marginal at best.

Wall Street is interested in spectacular growth only. That is the nature of the beast. Cable rode it for a long time and some people made fortunes. Moderate growth from a maturing industry isn't as interesting to investors, especially given the industry's emerging risk levels. The buzz is gone.

Well, if you take a step back and free yourself from all the hype, it is clear that cable needs to re-invent itself to incorporate new growth.

How did all this happen?

First of all there was a subscriber growth slowdown, which was not entirely unex-

pected. Cable was so heavily penetrated after such stellar marketing campaigns that there just weren't as many households available to convert.

Cable nets, with the basic push that local

cable operators gave them, sent the penetration levels to astronomic highs.

Satellite TV, launched in 1995, was a hit from the get-go. People flocked to this new “cool” technology, bypassing the lock that traditional cable franchises had and beaming their signal into nearly 30 million homes.

Satellite viewers account for about \$10 billion in advertising revenue. Just think of what that ad revenue would have meant for franchised cable systems. What a revenue stream!

Both cable and satellite have downshifted because the penetration level is as high as it can get. You just can't expect to get an annual growth of 20 percent as in the formative days.

Cable is clearly losing its advertising pricing power. This edge, which made cable innovative and “cool” to viewers and subsequently to advertisers, is over. The ad market is soft and agencies are scrambling to hold on to their broadcast business, let alone the cable ad sales that were the areas of growth for many years.

Virtually, no boats rise in a soft ad market. Niche networks are especially vulnerable, I think.

Cable networks will need to continue to spend heavily to get their message across. All of this just to maintain

Cable becoming “old media.” How in the world did that happen?

their position and not be perceived as falling behind. Falling behind can be deadly. Any net that seems to falter is pronounced dead long before its actual massive re-tooling or demise.

I expect to see many more ads on broadcast TV for cable series like "The Wire" on HBO or "Dexter" on Showtime. More to come on this topic.

Other Programming News

RCN, a competitive overbuilder of metro areas in New York, Boston, Washington DC, suburban Philadelphia and Chicago announced that it has launched a new tier of Hispanic programs called Mi Vision.

Subscribers can opt for the entire Mi Vision package or one or more of the smaller offerings such as Paquete de Variedades, a variety package that includes 15 channels of movies, music, art, daytime dramas and news.

There is a package called Paquete de

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Paises (countries package), six channels from different Latin countries. An option called Paquete para Ninos is aimed at kids, Paquete de Deportes features four sports nets.

Pricing: The entire MiVision tier is \$19.95 per month with four mini-tiers costing \$12.95, \$4.95, \$3.95 and \$4.95 respectively. For additional information about this innovative Spanish language programming please see www.rcn.com

Also, you should know that iblocks are coming! It is the next step beyond user-generated content. The Killer App conference will be held in Ft Wayne, IN., April 30-May 2.

Visit www.killerApp.com for more information. Until next month – keep watching. **BBP**

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