

iPod is an i-Opener

Here's how to stay on top of consumer trends that affect your bottom line, and your business future

By Bryan Rader ■ *Bandwidth Consulting LLC*

So often in this business, we think only about making decisions that can have immediate results. What can I do to boost my broadband subscriber count this month? How can I complete more installs per day? What new channels should I add?

Every once in a while, though, it makes sense to step back and think about some of the fundamental consumer behavior shifts occurring among our customers. We get so “micro” sometimes in our day-to-day planning that it's good to think “macro” for a change. What's happening that will affect my business in three years? What trends are quietly building that may shake my economic model in the future?

Well, I think I've discovered at least one that you should pay close attention to, when you're not thinking about today's goals and objectives. It may help your position for tomorrow.

We can look at other industries in recent memory that did not take stock of the trends surrounding them. Let's be sure that private cable operators don't miss the same kinds of signs.

Music and Video

Imagine if you were a music industry executive a few years ago, and you saw record sales declining and Internet music piracy increasing due to peer-to-peer services such as Napster. You can see the demand increasing for your music, but your customers want it in a different form, where they can create their own “greatest hits” list and listen to it on their desktop or laptop. Oh, and they like it free, of course.

Instead of moving to embrace this change in behavior and uncover a new economic model, the music industry dug in its heels and fought tooth and nail to

protect its current distribution methods. But young consumers kept downloading, and music sales kept plummeting.

In 2003, Steve Jobs of Apple decided to embrace this shift in customer behavior. He introduced a new business model to the major leaders of the music industry. He offered 99 cents a song, with one price and one download standard – his. Suddenly, music purchase volumes jumped back up, the industry was salvaged and everyone was opening new iTunes accounts. And the music executives realized there was gold hidden in this new model that they had fought against for years.

Interestingly, over the past four years, 100 million iPods have been sold, and over 2.5 billion songs have been downloaded, apparently a third of them to my own household! This was a fundamental “macro” shift for an entire industry.

Could this be happening in our industry today? Are we like the music company executives sitting around ten years ago trying to figure out how to get more listeners to come into their stores and buy more CDs? What do we do? Reduce our pricing? Crank out more greatest hits from living legends? Figure out more ways to con customers into buying an entire album when there are only one or two good tracks? Introduce newer acts? Older acts?

All the Wrong Questions

The users were changing how they wanted to collect, find and hear music. This became a more efficient way to get what they wanted. Now music customers no longer pay for B-side songs – they only download what they like. (Hmmm, could this be like our future cable customers who don't want to pay for certain cable channels, such as a retired couple

that doesn't watch Cartoon Network, Nickelodeon or MTV?)

Ask Steve Jobs

Should PCOs worry about declining record sales, or what music's fate foretells for a changing cable operator model? I don't know. Let's ask Steve Jobs.

This year during his MacWorld 2007 keynote address, he said, “Apple has already sold 50 million TV shows.” I thought we owned TV distribution.

And Apple just began selling movies. “In the first four months of selling movies, we have sold 1.3 million on iTunes. And we're up to 250 titles now,” Jobs said. Netflix has rented a billion, and has also gone online. Wow. Watch out, HBO and Showtime.

Wait a minute, Mr. Don't-want-to-be-like-the-music-executives. Is this a cosmic consumer behavioral shift? Is it quietly building around us? Does the old cable TV distribution model, like the old music distribution model, no longer apply?

PCOs might need to think about the downloading of content to computers or wireless devices as being a key part of our future revenue model. Are we crazy to put our heads in the sand and believe this little trend won't amount to much? We can't.

Let's not become like other industries that don't watch the macro trends and don't pay attention to them anyway because they are too small to matter. iTunes was too small to matter, until it wasn't anymore.

And that could happen in our business too. The iPod story is a real “i” opener. The good news is that a changing model can often lead to a better one, if we keep our “i” on the ball. **BBP**

About the Author

Bryan J. Rader, former CEO of MediaWorks before selling the company last year, has recently founded a new firm, Bandwidth Consulting LLC, to advise operators and providers in the MDU market segment. He also remains President of IMCC. Contact Bryan at bryanjrader@yahoo.com or by phone at 636-536-0011.

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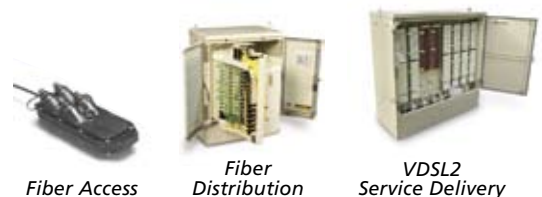
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