

# Programming for Cable and Satellite

**MCOM 4102: The Canadian TV Market in the New Millennium**

**Mass Communications, Carleton University**

**March 10, 2004**

# What is programming?

- **From a cable and satellite perspective, it is the process of selecting, promoting and evaluating programming services and their packaging.**

# What is the goal of programming?

- **In the case of cable and satellite companies, the goal of programming is to maximize the number of subscribers and subscriptions to programming packages.**

# Agenda

- **The origins of cable**
- **The characteristics BDU technologies**
- **The dynamics of BDU competition**

# Impact of Broadcast Distribution on TV

- **Broadcast Distribution has three main implications for TV:**
  - 1. Eliminates over-the-air interference (ie. Improves picture and audio quality)**
  - 2. Extends the range of conventional TV**
  - 3. Creates the possibility of narrowcasting**

# Origins of Cable

- **1948 – certain American towns began to build community antennas**
- **1952 – Montreal and London were the first Canadian cities to be wired for cable TV**
- **1964 – 215,000 (4% of Canadian Homes) subscribed**
- **1952 to 1968 – cable was an ‘unregulated industry’ (no provisions in the Broadcast Act)**
  - **Each cable company emerged as a territorial monopoly**
  - **Cablecos faced significant start-up costs, building head-end’s, trunk lines and cable drops (ie. Last mile)**
  - **Telecos, fearing potential competition, threw obstacles in their path (eg. Denying access to cable, but not hydro, access to telephone poles, or charge exorbitant rates)**
- **1968 – Broadcasting Act was revised.**
  - **Revision created CRTC as well.**
  - **Indirect economic regulation switched to direct cultural regulation**

# Framework for CRTC regulation of cable

- **Cable initially threatened cultural nationalist mandated of the CRTC**
  - **Cable introduced foreign (ie. US) signals into Canada and ‘fragmented audiences’**
- **CRTC came to realize that granting cable monopolies allowed them to ‘manage choice’**
- **Four methods of managing choice on cable (see CRTC presentation):**
  - *Linkage* – **tying American services to Canadian services (1 to 1). Doesn’t force them to watch Canadian, but makes Canadian services available.**
  - *Simultaneous cable substitution* – **where an American signal is replaced with a Canadian when broadcasting the same program. This protects advertising for Canadian broadcasters.**
  - *Prohibition* – **forbidding US services from entering Canada. This is choice management. CRTC delivers viewers to music videos to MuchMusic rather than MTV.**
  - *Tiering* – **offering channels in bundles (usually in tandem with linkage). Creates guaranteed revenue to Canadian services if they wish to consume American services.**

# Growth of the Industry

- **Growth of Cable coincided with the CRTC:**
  - Penetration of cable is 80-90%
  - Despite low population density, Canada is second most cabled country in the world (satellite is dominate method of distribution outside North America)
  - Cable revenues grew 119% from 1972 to 1984
  - Operating profits for cable are 30-40%
- **By the mid 80s, cable evolved into a mature industry:**
  - Consolidation ensued (ie. Economies of scale)
  - New sources of revenue were sought through new services: specialty services, pay TV, PPV, etc

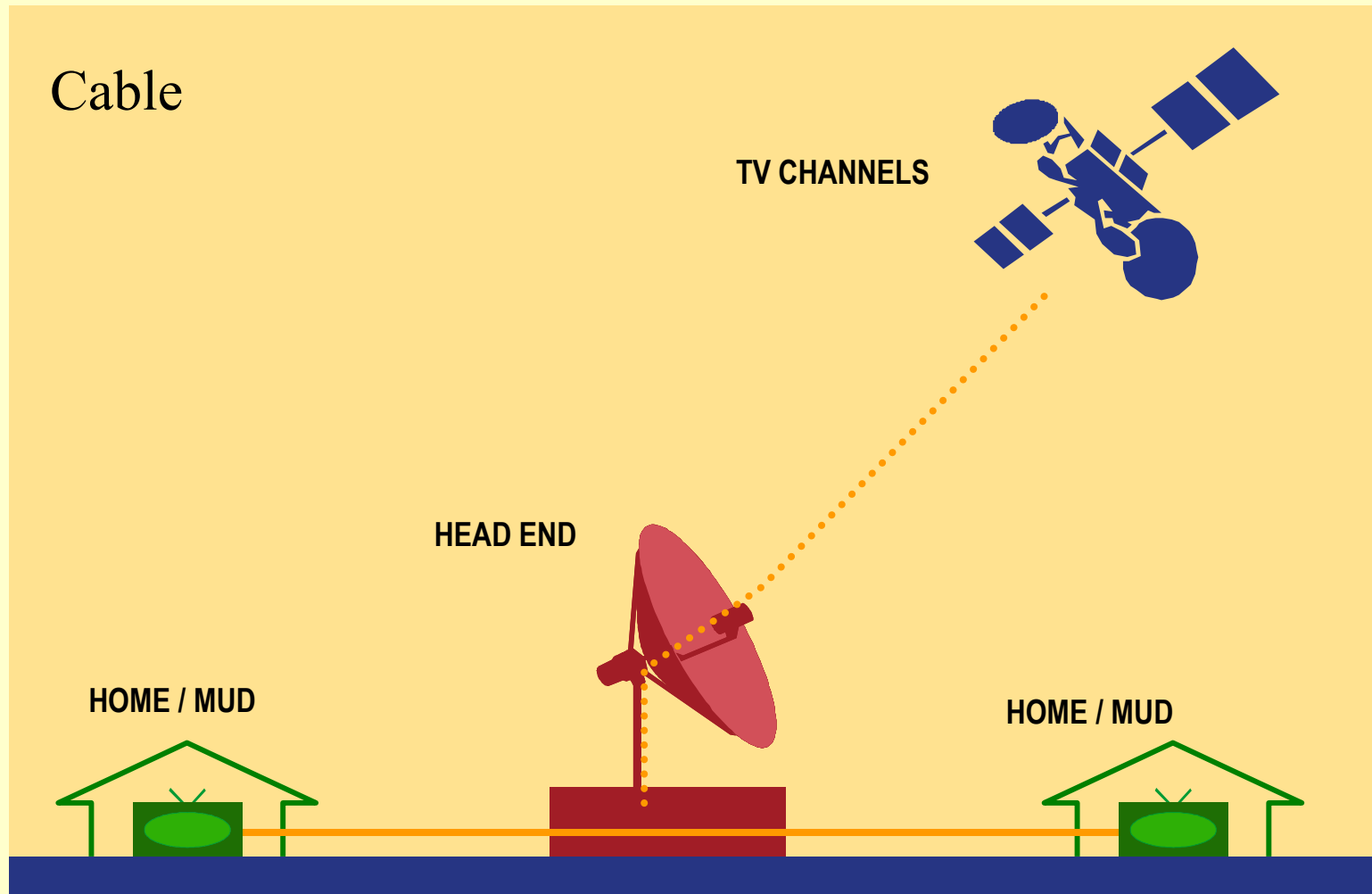
# The Impact of Competition

- **DirecTv in the US launched in June 1994**
  - **CRTC promoted using satellites to ‘extend’ TV services to Canadians, but preserve the cable monopoly**
  - **Cable industry denounced DBS as “deathstars”**
- **Competition in Broadcast Distribution threatened by the CRTC and the cablecos**
  - **Teleco and satellite competition threatened their lucrative monopolies**
  - **Competition limits the CRTC’s ability to manage choice. Foreign competition threatens ‘cultural nationalism’.**
- **Pressure from the ‘DBS’ grey market and Competition Bureau eventually forced the CRTC to change cable regulations to permit competition among “Broadcast Distribution Undertakings”**

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- The dynamics of BDU competition

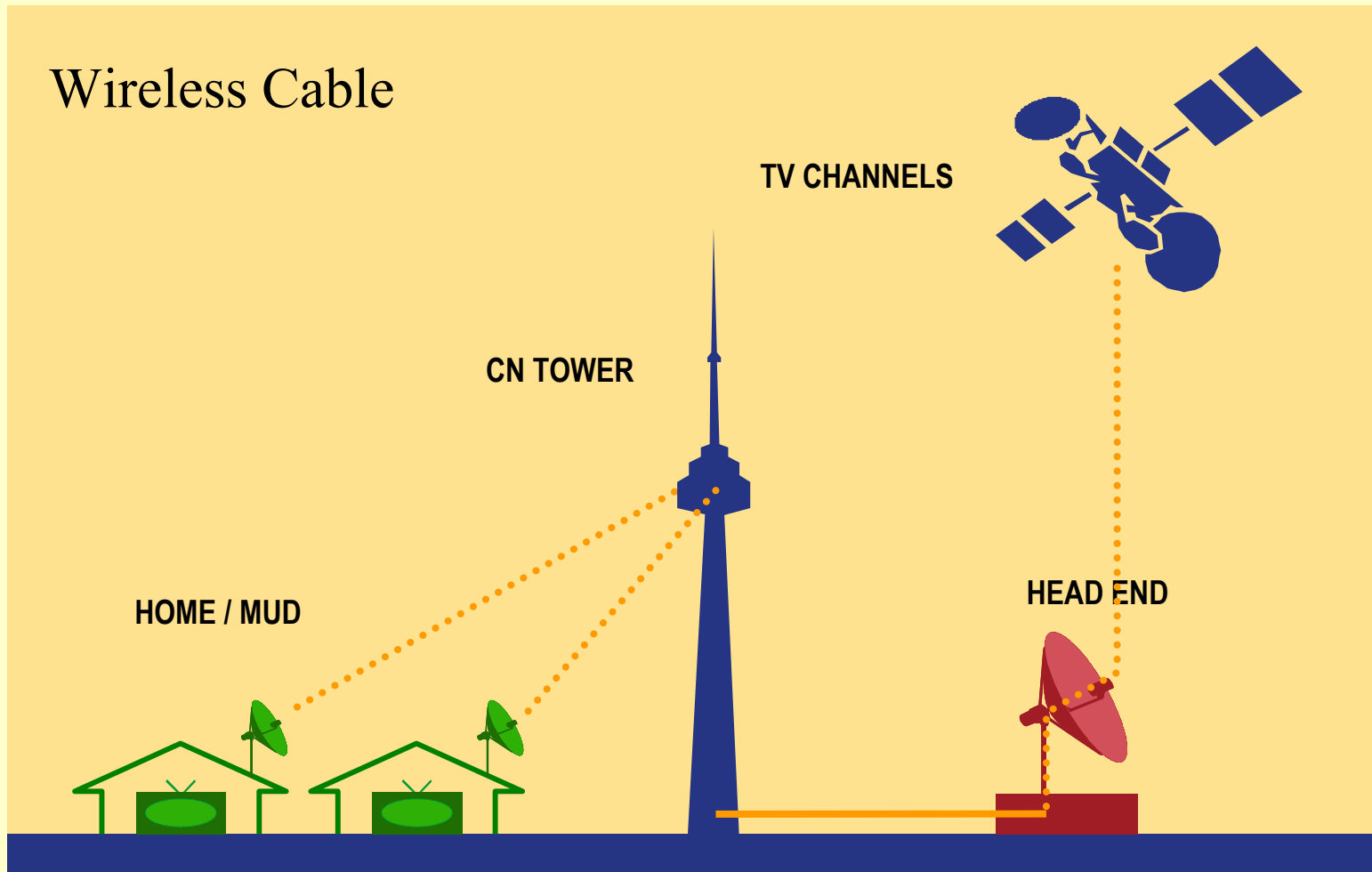
# Collection of and distribution of TV signals via cable



# Characteristics of cable

- **Cable television channels are offered in ‘tiers’**
  - **Basic tier: includes Over-the-air tv channels (eg. CFTO, CityTV) and some specialty channels (eg. YTV, CBC Newsworld)**
  - **Classic Combo tier: includes established specialty channels (eg. MuchMusic, A&E, Discovery Channel)**
  - **MeTV tier: includes new specialty channels (eg. Comedy, Space, History)**
  - **Premium tier: includes movie channels (eg. TMN) and US superstations (eg. WGN)**
  - **Ethnic channels are offered ‘a la carte’ (ie. each is paid for individually)**
- **Cable specialty tiers don’t require a TV set-top decoder, but the premium tier and ethnic channels require a digital TV set-top decoder**
  - **Over the next few years, cable service will migrate to digital**

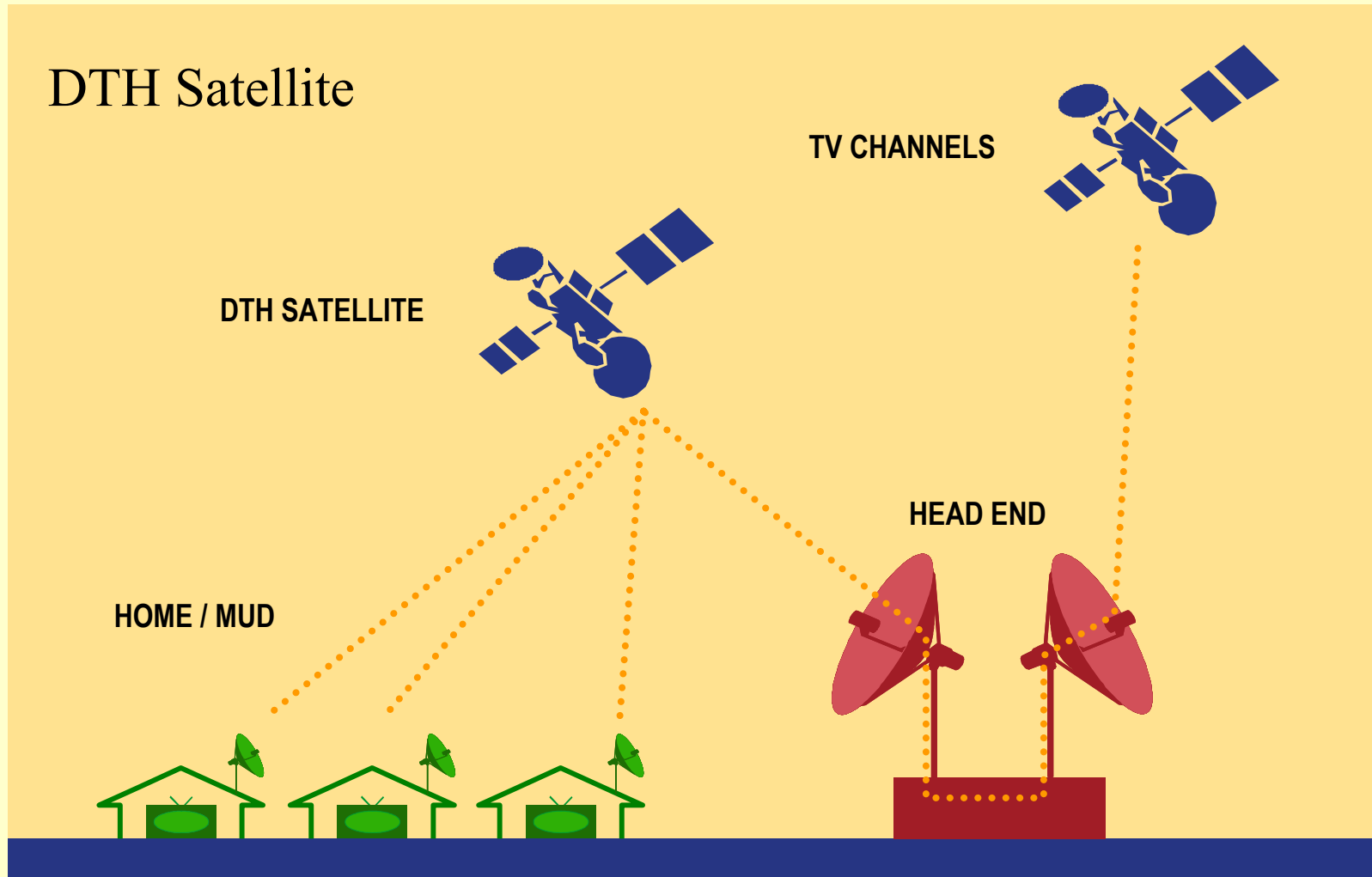
# Collection of and distribution of TV signals via cable



# Characteristics of wireless cable

- **Wireless cable service is digital, so every subscriber and every TV requires a set-top digital decoder to unscramble signals**
- **Because wireless cable's service is digital, it doesn't have to offer channels in tiers, like Rogers**
  - **LOOK (for example) has a small basic tier: includes Over-the-air tv channels (eg. CFTO, CityTV) and some specialty channels (eg. YTV, CBC Newsworld)**
  - **LOOK sells the rest of its channels through a 'pick and pay' method, where you pay a monthly fee, but pick the channels that you want (eg. 10 specialty channels for \$10). But, you must pick 1 Canadian for every foreign channel.**
  - **Premium television channels (eg. TMN) and ethnic channels are offered on a pick and pay basis, but are considerably more expensive than specialty channels**

# Collection of and distribution of TV signals via DTH



# Characteristics of DTH

- **DTH service is digital, so every subscriber and every TV requires a set-top digital decoder to unscramble signals**
  - **DTH charges for the satellite and digital set-top decoder, but at subsidized prices**
- **Though it is digital, DTH does not offer channels on a ‘pick and pay’ basis. However, its tiers are smaller and theme based. Some examples of tiers include:**
  - **Sports tier (TSN, Headline Sports, SpeedVision, Golf, Sportnet, Outdoor Life)**
  - **Music tier (MuchMusic, MuchMoreMusic, BET, CMT, TNN)**
  - **Entertainment tier (A&E, Showcase, Bravo!, Prime, Star, Space, TBS)**

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# Current Competitive Strategies

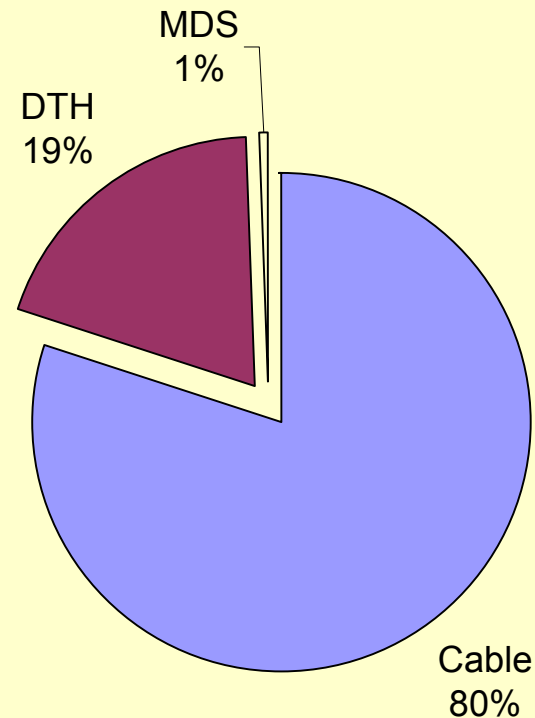
**New entrants compete with cable on a number of variables.**

<u>Competitive Variable</u>	<u>Options</u>
Choice	<ul style="list-style-type: none"><li>• More television channels</li><li>• More PPV</li><li>• Audio services</li></ul>
Price/Value	<ul style="list-style-type: none"><li>• Same services at a better price</li></ul>
Technical Quality	<ul style="list-style-type: none"><li>• Better quality video signal</li><li>• Better quality audio signal</li><li>• Better user interface</li></ul>
Flexibility	<ul style="list-style-type: none"><li>• Theme based vs. tiered program packages</li><li>• Transactional service for all customers (eg. PPV)</li><li>• A la Carte subscriptions</li></ul>
Customer Service	<ul style="list-style-type: none"><li>• Faster customer responses</li><li>• 24 hour customer service</li><li>• Self-service web sites</li></ul>
New Markets	<ul style="list-style-type: none"><li>• Un-cabled/rural households</li><li>• Technophiles subscribing to cable</li></ul>

# DTH quickly captured the rural market.

- **BDU Competition in Canada is progressing, but still early**
  - **Cable controls the market – at 80%, but this is down from 96% in 1998**
  - **In FY1998, DTH captured 4% market share of TV Subscribers but now controls 19%. The rural market is now exhausted.**
  - **MDS is in critical condition. Look is near bankrupt and the Craig's have yet to use their license in B.C.**
  - **The future of Telcos delivery is questionable. NB Tel launched then dismantled. MTS, Telus and SaskTel all have BDU licenses. SaskTel is operational with 600 subs.**

Estimated Market Share of BDUs by Delivery Method,  
August/September 2002



**Competition is between  
cable and satellite.**





# Traditionally, BDUs offer almost all the same channels so cable and DTH services are substitutable ....

Rogers Cable Channel #	Station/Channel Name	Rogers	LOOK	Bell ExpressVu	Starchoice
2	TVO (TV Ontario)	■	■	■	■
3	Global	■	■	■	■
4	CFMT (Independent)	■	■	■	■
6	CBLT (CBC)	■	■	■	■
7	CITY TV (Independent)	■	■	■	■
8	CFTO (CTV)	■	■	■	■
9	CTS (Crossroads)	■	■	■	■
10	Rogers Television	■	■	■	■
11	ONTV (Independent)	■	■	■	■
12	CBLFT (CBC French)	■	■	■	■
13	TFO (French)	■	■	■	■
14	WKBW (ABC) Buffalo	■	■	■	■
15	WGRZ (NBC) Buffalo	■	■	■	■
16	WIVB (CBS) Buffalo	■	■	■	■
17	CTV News Net	■	■	■	■
18	WNEB (PBS) Buffalo	■	■	■	■
19	The Shopping Channel	■	■	■	■
20	CKVR (Independent) Barrie	■	■	■	■
21	Toronto Star TV	■	■	■	■
22	CTV Sportsnet	■	■	■	■
23	The Weather Network	■	■	■	■
24	Cable Pulse 24	■	■	■	■
25	YTV	■	■	■	■
26	CBC Newsworld	■	■	■	■
27	WTN	■	■	■	■
28	WUTV (FOX) Buffalo	■	■	■	■
59	TV5 (French)	■	■	■	■
60	Vision TV	■	■	■	■
61	CFTM (TVA) Montreal	■	■	■	■
65	Stocks/Voice Print (Audio)	■	■	■	■
66	Ontario Legislature	■	■	■	■
70	CPAC	■	■	■	■
72	Aboriginal People's Television	■	■	■	■
73	RDI (French)	■	■	■	■
29	MuchMusic	■	■	■	■
30	TSN	■	■	■	■
31	A&E	■	■	■	■
32	TNN	■	■	■	■
33	CNN	■	■	■	■
34	TLC	■	■	■	■
35	Teletatino	■	■	■	■
36	MuchMoreMusic	■	■	■	■
37	Headline News	■	■	■	■
38	CMT	■	■	■	■
39	Showcase	■	■	■	■
40	Bravo!	■	■	■	■

Rogers Cable Channel #	Station/Channel Name	Rogers	LOOK	Bell ExpressVu	Starchoice
41	Life Network	■	■	■	■
42	Discovery Channel	■	■	■	■
43	History	■	■	■	■
44	Comedy	■	■	■	■
45	Teletoon	■	■	■	■
46	HGTV	■	■	■	■
47	TBS Atlanta	■	■	■	■
48	SpeedVision	■	■	■	■
49	BET	■	■	■	■
50	Space	■	■	■	■
51	Family Channel	■	■	■	■
52	Gold Channel	■	■	■	■
53	Headline Sports	■	■	■	■
54	Prime	■	■	■	■
55	CNBC	■	■	■	■
56	Food Network	■	■	■	■
57	Report on Business Television	■	■	■	■
58	Outdoor Life	■	■	■	■
64	Treehouse	■	■	■	■
62	Moviepix	■	■	■	■
63	TMN 1 (24 hrs)	■	■	■	■
64	TMN 2 (Starts 7pm)	■	■	■	■
65	TMN 3 (Starts 7pm)	■	■	■	■
66	TMN 4 (Starts 8pm)	■	■	■	■
67	KTLA Los Angeles	■	■	■	■
68	WPIX New York	■	■	■	■
69	WSBK Boston	■	■	■	■
71	WGN Chicago	■	■	■	■
	SuperEcran	■	■	■	■
	RDS	■	■	■	■
	MusiquePlus	■	■	■	■
	Musimax	■	■	■	■
	Game Show Network	■	■	■	■
	The Health Network	■	■	■	■
	Star!	■	■	■	■
	CLT	■	■	■	■
	BBC World	■	■	■	■
	CourtTV	■	■	■	■
	Fairchild	■	■	■	■
	Asian Television Network	■	■	■	■
	Deutsche Welle	■	■	■	■
	Odyssey	■	■	■	■
	TV Japan	■	■	■	■
	Playboy TV	■	■	■	■

(1) Line up for Look was for Eastern Ontario. Rogers was for Toronto. ExpressVu and Starchoice is national.  
Source: PwC Analysis

... at almost the same price ...

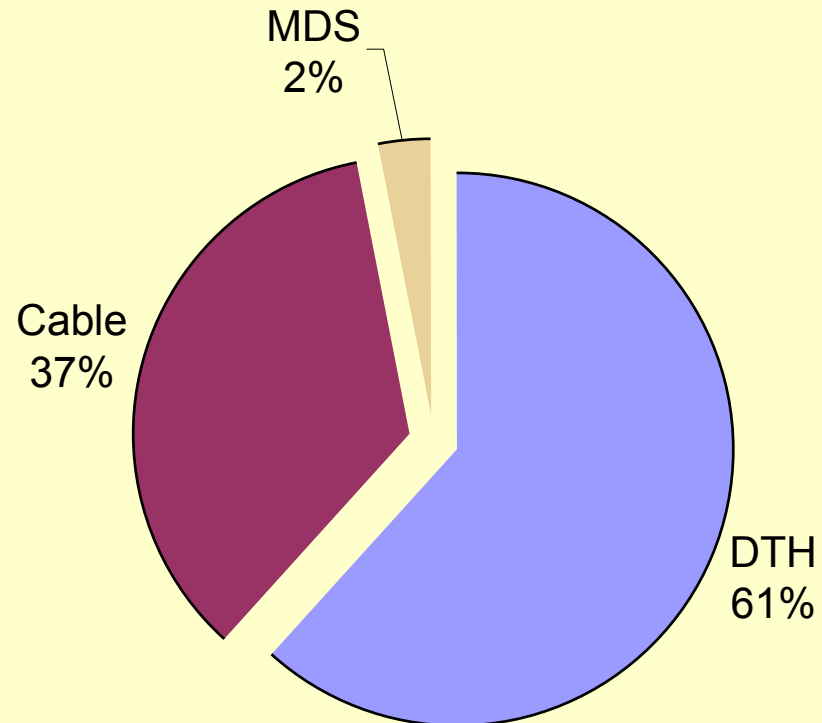
				
<b>BASIC TIER</b>	Includes local television stations (eg. CITY TV, CFTO), US stations (eg. NBC, FOX) and some specialty services (eg. TSN, Weather Network)			
<b>BASIC RATE</b>	\$19.95	\$21.16	\$15.90*	\$14.99
<b>SPECIALTY TIERS</b>	Includes Canadian specialty channels (eg. Much Music, Discovery Channel) and US specialty channels (eg. A&E, CNN)			
<b>BASIC + SPECIALTY</b>	\$39.95	\$39.88	\$36.95	\$36.99
<b>PREMIUM TIER</b>	Includes movie channels (eg. TMN) and US Superstations (eg. TBS).			
<b>BASIC + SPECIALTY + PREMIUM</b>	\$51.95	\$53.83	\$52.95	\$52.99
<b>ETHNIC CHANNELS</b>	Includes channels broadcast in languages other than English and French (eg. Asian Television Network, Teletatino)			
<b>PER CHANNEL RATE</b>	\$14.95 to \$19.95	\$14.95 to \$19.95	\$4.95 to \$19.95	\$9.99 to \$19.99

(1) Pricing for Look was for Eastern Ontario. Rogers was for Toronto. ExpressVu and Starchoice was national.  
Source: PwC Analysis

## ... but the recent digi-net launch changes this.

### Estimated Market Share of Digital Subscribers by Industry (Dec. 31, 2001)

- In 2001, over 50 new digital specialty services launched.
  - 13 category 1s were must-carry
  - The rest are discretionary
- This launch is the differentiator that DTH needs:
  - DTH controls most of the digital subscribers
  - DTH can package different than cable because it is fully digital

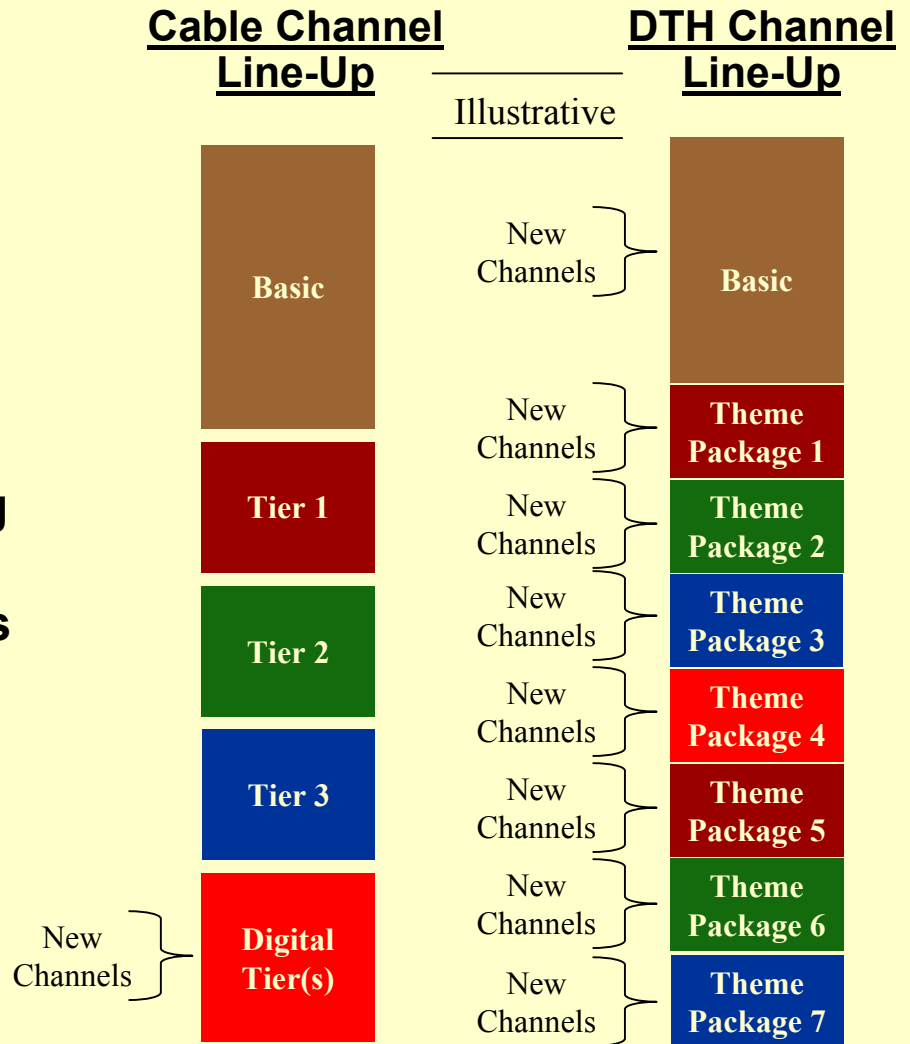


Source: Decima

\* Total of 2.8 million digital subscribers

# There is now some real differentiation between DTH and cable regarding TV channel choice and selection now that the diginets have launched.

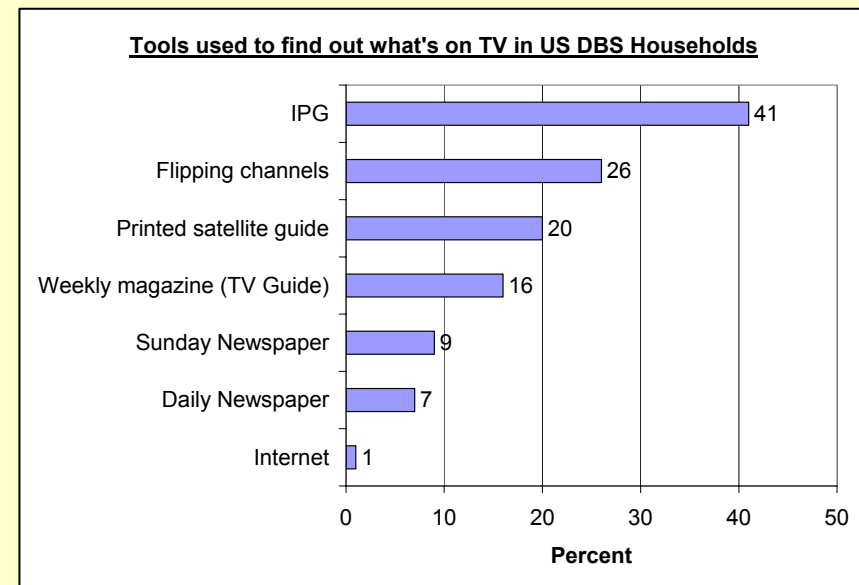
- Cable companies are limited to marketing new services only on digital:
  - Cable can't cobble together 'Theme packages' with the limited number of cat. 1s, 2s and new foreign services.
  - They offer the new channels in another tier and are emphasizing 'pick and pay'
- DTH is able to package new services within existing theme packages or create new theme packages (e.g. more sports, more news):
  - Increasing the price of existing packages marginally with new 'related' services is easier than selling 'new tiers' of unrelated services.



## The IPG is replacing the importance of “channel placement”

### The IPG is instrumental in the selection of programming ...

- **The IPG is the most used tool for program selection in satellite HHs**
  - **As the number of TV channels expands, the consumer needs ‘tools’ to assist in program selection.**
  - **Channel surfing, print TV listings (e.g. TV Guide) and even static TV listing on the TV (e.g. TV Guide channel) become ineffective tools as the number of viewing options expands.**
  - **The IPG adds new functionality for consumers in their program selection activities.**



Source: Yankee Group, 2001

# On-demand TV is the next battleground for consumers

- The expansion of choice has been by expanding channel capacity
- New technologies are emerging that let consumers time-shift:
  - PVRs
  - VOD
- Cable and satellite are starting to use these technologies to battle for consumers.

		1996	2001
Cable	analog	60	77
	digital	0	80-200
	total	60	~160-280
Satellite	digital	0	~280

Source: PwC based on CRTC, CCTA data

## Considerations for your essay

- **How is the basic package different between cable and DTH?**
- **How are cable and DTH packages designed, bearing in mind:**
  - **CRTC must-carries vs. discretionary services (foreign and category 2s)?**
  - **CRTC linkage rules?**
  - **Technology employed?**
- **What are the differences in entertainment services offered?**
  - **High-definition channels?**
  - **VOD? PVRs?**
  - **Ethnic channels or other premium services?**
  - **Any exclusive channels?**