Technology undermines cable television globally

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The internet and digitisation have significantly changed the way in which media content has been consumed over recent years. There is now evidence of further industry disruption occurring as a new group of internet-based firms focus their attention on the connected home. Traditional television and the 2.2 trillion dollar entertainment industry will confront companies such as Google, Amazon, Apple and Netflix developing new platforms for the delivery of content. High levels of dissatisfaction with current cable television providers has resulted in millions 'cutting the cord' in the United States and accessing content via new distribution channels and devices.

What next

The days of regularly scheduled television programming appear to be coming to an end, displaced by television on demand. This is growing at a rapid rate with more than 200 billion videos being viewed globally over the internet each month. These new developments affect not only traditional broadcast media but also many of the established cable companies, which are struggling to compete with the low cost services on offer from a range of internet-based technology firms.

Impact

- The increase in streamed programmes will strain internet bandwidth in many regions.
- Consumers are seeking new ways to consume content, leading to new business models and platform ecosystems.
- A new generation of consumers will emerge who never use traditional television.

Analysis

Consumer satisfaction surveys have revealed that cable television providers are among the most disliked companies in the United States. Dissatisfaction stems from:

- an increasing number of advertisements and less 'real programming';
- deceptive hidden fees;
- customer privacy violations; and
- monopoly practices.

The latter complaint is likely to be exacerbated if the Comcast - Time Warner Cable merger is approved.

Emerging trends

People in the United States are increasingly watching videos online

Over 200 billion videos are now being viewed online each month, including real, full-length television shows. Indeed, 83% of viewers aged 18-29 watch some, most, or all of their shows online. People in the United States are increasingly watching videos online:

- The Sony Playstation, Microsoft Xbox and Samsung Smart TV can all run television shows directly from the internet to a television screen as can the Boxee and the Roku, which cost as little as 100 dollars.
- A new web-based service called Aereo can even do this without a top box.

Therefore, television shows are downloadable, and can be watched conveniently on a computer, smartphone or tablet (see INTERNATIONAL: Computing is becoming a utility sector - October 22, 2013). Nearly half of US households (45%) will soon own a device that allows them to 'time shift' their viewing (like a digital video recorder, DVR). This allows viewers to skip commercials and break out of the network programming schedule.

The percentage of households with a cable or satellite subscription is declining for the first time in the history of television and more than 3 million people in the United States have already chosen to 'cut the cord'. For many years, live sports programming had been the obstacle standing in the way of mass cord-cutting. Now every Major League Baseball game, every National Hockey League (NHL) game and every National Basketball Association (NBA) fixture is available online for free or for a low subscription price. A significant portion of ESPN's content is also available, and the National Football League (NFL) is moving toward direct distribution.

New providers

New providers are threatening to disrupt the cable sector (see INTERNATIONAL: 'Platform' model forces global shift - October 28, 2013):

- *Google*. Google is rolling out a high-speed fibre network in Kansas City. Google Fibre provides internet connections 100 times faster for the same price that most US consumers currently pay cable companies for their internet connection. Its fibre is fast enough to watch eight and record eight other 'streaming' shows in high-definition simultaneously without download delays. This breaks down the division between television and the internet and provides a challenge to the cable companies, as Google looks to roll out its high-speed network in other US cities. However, Google Fibre is not the biggest and most immediate threat to the cable companies because it will take several years to complete its nationwide roll-out. Google has also recently launched Chromecast, which is a low-priced thumb-sized media streaming device that plugs into the HDMI port on a television. This uses a mobile app to send online shows, movies and music to a TV set using a smartphone, tablet or laptop.

- *Apple*. The likelihood of an integrated television set with a simple user interface from Apple is another potential threat. Apple's current 99-dollar set top box already sells more units than its computer division (13 million), and the firm has filed for a patent that will allow the set top box to skip advertisements seamlessly.

- *Amazon*. Amazon has more than 10 million video on-demand subscribers in its Prime service

- *Netflix*. Netflix has more than 44 million subscribers watching movies and TV shows through its interface.

- *Aereo*. An even bigger threat is Aereo the web video service that offers local television channels and a DVR-like service that can be viewed on a PC or iMac, iPad, iPhone, Apple TV or Roku device. However, Aereo is currently defending a law suit filed by the top broadcast networks before the Supreme Court, which oral arguments indicate that it will lose.

Outlook

Although there may not be a clear winner for some time, the overall momentum and technological innovation that is being generated is already transforming the traditional television industry. The television and entertainment industry is not 'dying' per se but consumers are seeking new ways to consume content, which is resulting in new business models and new platform ecosystems. Any increase in the market power of the cable companies gained through mergers and acquisitions would inevitably result in fewer players, even higher prices and increased monopolistic practices, further undermining service delivery and standards. This would play into the hands of new service providers and inevitably the 'cord cutters' will be joined by consumers who never use traditional television.

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