

The Price Is Right

Cable providers must find creative ways to give consumers good value for money – such as providing bundles that work for them.

By Bryan Rader ■ *Bandwidth Consulting LLC*

These days, everyone has something to complain about. “I can’t get a direct flight home anymore.” “Traffic is still miserable, even with fewer workers on the road.” “My monthly cable bill keeps going up, up and up.”

Yes, the cable TV bill. Nothing is sure to garner more nods in agreement. The average cable customer spent barely \$90 a month just a few years ago; today, the average monthly bill is above \$130. What happened?

Cable rates rose between 5 percent and 8 percent a year for several years, so what used to be a \$50 cable package now costs around \$62 a month. At the same time, customers kept adding HD packages, DVR set-tops, faster broadband, premium channels and all-you-can-eat phone plans. All of a sudden, the cable bill began to rival the electric bill for first place in the household utility budget! That presents a new challenge for us operators.

In the midst of a deep recession, with staggering unemployment and low wage increases, MDU customers are concerned about the price of everything. Consumers are looking for creative ways to save money.

CUTTING BACK

Did you know that 31 percent of Americans canceled a magazine subscription last year to save money? According to a Harris poll, 39 percent switched from bottled water to refillable water bottles, 24 percent cut back on dry cleaning and 15 percent reduced their cell phone plans.

Prices and costs have become the top concerns voiced by consumers and often

the primary motivators for their buying decisions. A recent J.D. Power & Associates TV Satisfaction Study concluded that residential pay-TV customers were less satisfied with the cost of service than a year ago, with ratings dropping from bad (555 out of 1,000 in 2009) to worse (541 out of 1,000 in 2010). Even though customers are buying more services, they are less happy with the prices they pay for those services.

J.D. Power comments, “TV providers must better communicate their price-value proposition, as customers are increasingly voicing irritation with the amount of their monthly bill.” In fact, three-fourths of customers who definitely or probably will change TV providers in the next year cite price as a major reason to switch.

Yikes! We had better wake up to this reality, especially in the MDU market, where price is a big factor in all the decisions residents make. One bedroom or two? Keep the gym membership or run outdoors? Shop at Macy’s or Target? Get cable or not?

HOW MUCH DOES IT COST?

I recently participated in a breakfast-on-the-go event at the entrance to an apartment community just before launch day for a new cable service. We handed out orange juice and sweet rolls to residents leaving for work, and we gave them

promotion cards to drive up new cable subscribership.

In a two-hour period, we spoke to more than 100 potential customers. A few of them hit the gas pedal and accelerated quickly when they saw us out there, but most were excited to hear our pitch about new cable services. The questions we heard again and again were “How much does it cost?” “What is the price with Internet and digital?” and “Do you charge for installation?”

Not one customer asked about channel selection, broadband speed or the number of minutes in our international calling plan. It was all about price. And this was an upscale community!

We need to rethink the way we price and package our services to capture as many customers as possible. This might mean bundling a small-scale analog package of core channels with a moderate-speed broadband service or a very fast broadband product with an inexpensive phone plan.

Customers are economizing these days – witness the growth of Hulu (free) and Netflix (very cheap). Our competitors are beginning to emphasize price as a major motivator to switch. We need to accommodate this trend and develop ways to be perceived as “worth the money” and “affordable.” If we can do this, then we are certain to be the next winners on “The Price Is Right.” **BBP**

About the Author

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