



Promoting Online Video While “Managing” Bandwidth Usage- Conflicting Tactics or Smart Strategy?

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March 5, 2009

Since last week's [TDG Opinion](#) on cable operators and online video, I've had numerous conversations with “interested parties” as to what these efforts really mean to both traditional and new video providers. During these conversations, it appeared to me that there is inconsistency, a logical tension, between (a) how cable operators are positioning this new online “entitlement” service, and (b) their current efforts to restrict or “manage” bandwidth usage among their subscribers.

As TDG discussed last week, major U.S. cable operators including Comcast, Time Warner Cable, and Cox Communications are in the process of negotiating extended rights to distribute online the latest and greatest shows from cable networks such as Discovery and Disney. These services hope to provide online access to content that mirrors their TV offerings – all for free, as an “entitlement” to those already paying for the operator's TV service.

Their motives?

1. To stem the growing threat of online video (both PC-based and Over-the-Top) and the inevitable erosion of traditional Pay TV viewership;
2. To make their relationship with their existing subscribers more robust and thus more sticky; and
3. To establish an online video presence to expand to second- and third-screen video services (PCs and mobile devices).

At the same time, however, these operators are instituting bandwidth management policies that limit bandwidth usage.

Their motives?

1. To restrict usage of "the excessive few" who suck up a disproportionate amount of bandwidth due to heavy online video viewing, and
2. To introduce usage-based monthly fees that set *de facto* limits on how much bandwidth a subscriber can consume each month without incurring additional usage costs.

Hold on a second – did I get this right? Operators want you to watch their online TV programming for free (you are "entitled" to it, they say, because you already pay for their Pay TV service), yet at the same time they want to charge you for using the additional bandwidth associated with online video consumption. Is it just me, or is this a paradoxical position?

It must first be noted that both of these initiatives are still works in progress. Bandwidth caps and tiers are mostly in trials or limited deployment, while the online efforts were only brought to the forefront last week. As well, these efforts are contingent upon renegotiating a wide variety of carriage contracts (and thus months away from deployment). But cable operators are dead serious about both initiatives. They are convinced that online video will inevitably (and negatively) impact their Pay TV business and working aggressively to defend against its impact – both as a driver of bandwidth consumption and as a competitor to their own Pay TV services.

But can TV operators rightly position their online video as free if its use results in additional monthly (metered) charges or forces Pay TV subscribers to sign up for a more expensive broadband tier in order to support their online video viewing? Yes, enjoying online video would be "free" until you hit a tiered limit, after which you pay additional charges. Yes, it would be "free" until you are labeled as an "excessive user" and they limit your available bandwidth, thus restricting your ability to view online video of any kind, cable or not.

So in what circumstances can a consumer watch a lot of online cable programming and not incur additional charges or qualitative "tariffs"? Granted, what constitutes "a lot" of programs varies by operator and the limits imposed by their policies and fee structures. For example:

- Charter Communications will limit customers who purchase a 15-Mbps service to 100 gigabytes per month, while those who purchase a 25-Mbps service will be limited to 250 gigabytes per month. Those who purchase the most robust home broadband service (up to 60-Mbps) will not face usage caps.
- Time Warner Cable is currently testing a pay-per-download plan in Beaumont, Texas (soon to be expanded to four additional cities). Subscribers can choose between four plans with set download limits of 5, 10, 20, or 40 gigabytes. Those who go over their chosen limit will be charged additional usage-based fees.
- AT&T said last November that it would impose limits of between 20 and 150 gigabytes per month on its users in Reno, Nevada, while Comcast is imposing a cap of 250 gigabytes on users.

Operators defend these bandwidth policies as necessary to ensure that “the 99% of average users” enjoy a consistent and high-quality broadband experience without having to worry about “the 1% of heavy users” sucking up the network’s bandwidth. (Read Colin Dixon’s Opinions about the impact of such [bandwidth management measures](#).)

But what if this 1% is actually more like 5% or 10%? What if this 5-10% jumps to 15-20% or more once cable operators push their own content onto the web – what happens then? If the plan to put cable programs online actually works and attracts a lot of viewers (which they must be assuming will happen or it’s a waste of time), it inevitably complicates the bandwidth/usage equation, meaning consumers will end up paying, albeit indirectly, to view cable TV programming online. If it doesn’t work, then cable operators have an even bigger headache: their efforts to defend against the threat of online video viewing will have failed.

So do they want this new video strategy to work or not? If so, what is their *raison d’être*? To differentiate their core Pay TV offerings by adding a “free” online video service, or to ramp up bandwidth consumption and grow revenues and profits via additional metered charges and higher tiers of service? Can they really have it both ways?

I’m sure we’ll know more about their precise intentions as the online video effort evolves and bandwidth management initiatives move from trails to deployments. In the meantime, one is left to wonder....

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