

Charter Communications tiptoes into video streaming

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Very quietly, Charter Communications has been poking a toe into the online video streaming business.

In parts of the St. Louis region, where the company was formerly headquartered, people who don't get cable TV can have Charter Spectrum TV Stream delivered over the Internet rather than through Charter's set top box. One option includes local channels, either HBO or Showtime, and a "skinny bundle" of 16 [cable channels](#) including ESPN, priced at about \$27 a month.

It's an experiment. Analysts say Charter is looking for a way to lure "cord-cutters" and millennials back into its pay-TV fold - and away from its [streaming](#) TV service rivals.

Charter offers broadband video and [phone service](#), and those businesses are growing rapidly. But nearly half of its revenue still comes from cable TV, and that business has been shrinking, although very slowly.

Streaming video services - such as Netflix, Hulu, Amazon and Sling - have been grabbing customers with lower prices. Netflix, for instance, runs \$7.99 per month.

As a result, more customers are tempted to "cut the cord" on their cable TV service, where the bill for a service with scores of channels averages \$99 a month, according to Leichtman Research.

So far, cord-cutting is moving at a stroll, not a stampede. Although Charter has added customers for its other services, the number taking cable TV is down about 1 percent over the past year. In its latest financial report, Charter said that 32 percent of its customers reject TV (also called video service), up from 28 percent a year earlier.

Still, even a small percentage equals a big number of customers lost. Last spring alone, 479,000 people cut the cord at the nation's 20 biggest cable and satellite TV providers, according to Strategy Analytics.

That worries both the [cable companies](#) and the owners of cable channels. As streaming services get better - and more people watch on tablets and smartphones - more customers may cancel cable video.

"They're seeing enough numbers that it's raising alarms. It's the kind of thing that can accelerate," said John Carroll, an assistant professor of mass communication at Boston University and a veteran of advertising and broadcast.

Hence Charter's dip into the streamers' turf.

"They're hedging their bets," said Barry Orton, professor of telecommunications at the University of Wisconsin, and a long-time consultant to local governments on cable TV issues. If cable TV customers do stampede to the video streamers, Charter wants a way to corral them back.

TESTING THE MARKET

Charter is shy about details of its streaming effort. Evolve Digital Labs, which does marketing work for Charter, sent the St. Louis Post-Dispatch an email inviting news coverage.

"Charter Spectrum is testing streaming services within the St. Louis area and several other markets," providing the service to a small number of customers with only Internet or Internet and phone service, the company said.

But a Charter spokesman then declined to answer questions about the service.

Reports in cable industry trade journals, and online comments from customers, add more detail.

The service costs \$12.99 per month for broadcast stations and either HBO or Showtime. For another \$7, customers pick up 16 cable channels including A&E, TBS, ESPN, Hallmark and others, according to the Multichannel News trade journal.

A customer in St. Peters, Mo., writing in the DSLReports forum, said Charter offered him the service in a mailing. He found that the complete package would cost \$27.50 after fees and taxes.

For now, Charter is also throwing in a free Roku, according to Evolve Digital Labs. Roku is one of several devices available to stream video onto a television set.

It's unclear which customers are getting the offer. A Post-Dispatch reporter who receives Charter broadband service, but not video, was told by customer service that it wasn't being offered in his neighborhood.

Charter seems to be aiming at Sling, the streaming video option from the Dish satellite TV service. Sling offers 23 cable channels, including two ESPN channels, for \$20 over the Internet. HBO is an additional \$15.

REACHING MILLENNIALS

Young people worry cable companies the most. When out on their own, they are less likely than their elders to sign up for cable, at least until they have children. They're also changing how they watch.

"Millennials in particular are drifting away from the traditional TV platform and more and more gravitating toward devices," Carroll said.

Among 14- to 25-year-olds, 57 percent watch on their tablets, computers or smartphones. It's 43 percent among those aged 26 to 31 years, according to A.C. Nielsen data quoted in The New York Times.

That's why cable companies, including Charter, are pushing their mobile viewing apps on subscribers. Cable subscribers get to watch channels in any mode, part of an industry movement nicknamed "TV everywhere." Of course, that's also an option for rival streaming service customers.

Big premium pay-TV stations are already bypassing the cable companies and selling to the customer, giving cable operators something else to worry about. HBO offers its own service online for \$14 a month. Showtime does the same for \$10.99.

CBS, the broadcast network, is starting its own on-demand streaming service for \$5.99 per month. It's dangling a hook before Trekkies. The new Star Trek series will debut on CBS broadcast channels in January, but later first-run episodes will appear only on the CBS All Access streaming service.

Cable TV customers complain about having to pay for dozens of channels, when they only watch a few. Cord-cutting is prompting more competitors to offer "skinny bundles," a smaller number of channels at a reduced price. That's what Sling and Charter are doing on their streaming services.

Cable companies "have a growing audience who don't want the thing they're offering, so they're adapting," Carroll said. "It's difficult to preserve the current level of market share in traditional cable with 500 channels."

But channels are still bundled.

"Is this a step toward the Valhalla of a la carte TV? No," Orton said. People are still not going to be able to sign up only for the channels they like.

Partly that's because content companies don't like it. They insist that streamers and cable TV providers take unpopular stations in order to get the popular ones, such as ESPN or Fox News.

But a la carte would also be an administrative tangle for the streamers and cable firms, Orton said, and so it's unlikely to happen.

Carroll thinks the TV audience may eventually split in two. Many will stick with traditional cable - either out of satisfaction or inertia. The rest will cobble together a mix of streaming services matching their taste and budget.

"It will split along generational lines," he predicted. "We're already seeing younger people willing to live without cable, without the TV set."

PENDING DEAL

Charter has agreed to buy Time Warner Cable, and the \$55 billion deal needs regulatory approval. That may account for some of Charter's shyness in describing its streaming experiment. Netflix, Hulu and the other streaming competitors all reach their customers through broadband pipes owned by the [cable](#) TV providers. The merger would give the new

combination a 21 percent share of the nation's broadband.

"A new and improved Charter Communication would be so big on the broadband side that it could engage in anti-competitive business," Orton said.

Netflix says it won't oppose the deal, and Charter says it won't charge streaming competitors more for quick Internet service until at least 2019. The Federal Communications Commission in September asked both companies for information on whether they had slowed service to their streaming rivals.

Orton thinks that all this will change how we watch television, but not how much. That won't please those critics who still call it the boob tube.

"While people are cutting the cord, they're watching via the web. We're still watching TV in ever larger numbers and amounts," he said.

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