

Bucking the trend? Layer3 TV sees its future in old-school cable, but with higher tech

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With more and more internet streaming services making their debut, cable companies and their set-top boxes can look a little old-school.

But a young cable company that's expanding into the Dallas market wants to convince customers that traditional TV can still be edgy.

Denver-based Layer3 TV is taking on cable giants in five metro areas. It's trying to stand out with flashy features, such as a sleek, wireless set-top box designed by BMW Designworks, the sharp [image quality](#) of high-definition and 4K (or ultra high-definition) channels, and technicians who zip around in electricity-powered Teslas and BMW i3s. It taps into some of [customer's](#) new viewing habits by allowing them to scroll through their Twitter or Facebook feed while watching TV, save internet content they'd like to watch later in a DVR-like library or change channels with their voice using an Amazon Echo.

Cable companies face new threats from streaming services like Amazon Prime and Netflix, devices like Roku and Sling and emerging live TV internet services like AT&T's DirecTV Now. The cord-cutting and cord-shaving trends have led to slow loss of pay-TV subscribers. In 2014, there were 53.8 million pay-TV customers in the U.S., according to Bloomberg Intelligence. That had dropped to 52.7 million two years later.

Layer3 TV's CEO Jeff Binder says that news of the death of cable is overblown. He said he believes twenty- and thirty-somethings will age

into cable, as they get married and have kids. They may just have a few streaming services, such as Netflix, too, he said.

But he said customers do want better customer service and a lot of TV options. He said they also want their provider to incorporate social media.

And he touts the image quality of 4K content, such as "BBC America's Planet Earth 2." "Literally, my dog sits down and watches," he said. "It's so captivating."

The cable company began installations in the Dallas area in April. The price of the cable provider's packages start at \$89 per month and includes a DVR. Customers can pay more to get premium channels, such as HBO and Showtime.

Along with Dallas, Layer3 is available in Los Angeles, Chicago, Washington D.C., and Denver metropolitan areas.

The average pay-TV customer in the United States pays about \$85 per month, according to Bloomberg Intelligence. But streaming services can lower that price to closer to \$30 or \$40 per month.

In the Dallas market, AT&T has more pay-TV subscribers than any competitor. Its two services, U-verse and DirecTV, have a combined total of nearly 930,000 subscribers, according to 2016 data from SNL Kagan, a market intelligence company. Most of those come from the satellite service DirecTV.

Dish, Charter, Spectrum (formerly called Time Warner Cable) and Suddenlink also vie for customers in the Dallas area. Layer3 does not release subscriber data.

But larger [cable companies](#) show signs of resilience, said Geetha Ranganathan, a senior media analyst for Bloomberg Intelligence. For example, Comcast has gotten a bounce from the new sleeker technology and interface of its X1 set top box.

She said Layer3 seems to be taking a similar approach of going for a choosier customer.

"They're going for the high-end customer, the cream of the crop," she said.

As people have more choices for TV watching, she said they tend to fall into two categories: price-sensitive customers who will accept fewer channels or higher-end customers who want "concierge cable" with more features and better service.

Layer3 faces two major challenges, she said. The company must compete against companies that can bundle multiple services, and it must persuade customers to switch TV providers.

"It's kind of a zero-sum game," she said. "You just have customers shifting from one service to another."

Stevan Grimes, who lives in the Fort Worth suburb of Benbrook, switched to Layer3 after 25 years with another cable provider. The price of his cable package kept creeping up, he said, and he grew tired of calling the customer service line with technical troubles.

Grimes pays Layer3 about \$89 per month - approximately the same price as his prior cable [service](#). With Layer3, however, he said he gets a DVR, extra [cable](#) box and features that allow him to fast-forward, rewind or pause when watching a show.

He said Layer3's user experience is more responsive like a computer. For example, it recommends TV shows he may like based on what he's watched before. It can remember the last 12 channels he's watched, so he can quickly return to them.

"Layer3 seems to be thinking outside of the box and preparing for the future," he said.

A week after installation, he said his 17-year-old son enjoys the additional sports channels. And his wife likes to scroll through Facebook on the large TV screen.

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