

PREPAID TV...

COMING SOON TO A
SCREEN NEAR YOU

REACHING THE LIMIT

Traditional pay-TV providers (cable and satellite) are questioning their business fundamentals as the existing pay-TV model reaches its limit across the globe. Consumers are impatiently watching the TV evolution and demanding a new viewing experience. They wish to pick and choose their content, instead of paying for bloated channel packages. Consumers also want to view their content across all their devices—TV, mobile, computer or tablet—with the ability to start a show on one device, such as a TV, and finish on another device, such as a tablet or mobile phone.



CUSTOMER NEEDS

ARE LARGELY NOT BEING MET, WHICH HAS RESULTED IN...

DEVELOPED MARKETS: Stifled growth and growing over the top (OTT) competition

Future subscriber growth in developed markets is projected to be less than 2 percent.

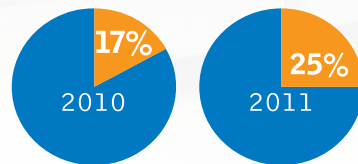
More subscribers are likely to downgrade their service, a clear indication that users are seeing less value from their services.

Future Pay-TV Subscriber Growth 2011–2018 (projection)

Western Europe	2.0%
North America	0.7%
Hong Kong	0.0%
South Korea	-0.1%

SNL Kagan, 2011

U.S. Pay-TV Subscribers Who are Likely to Downgrade Service



The Diffusion Group OTT Monitor, 2011

HIGH-GROWTH MARKETS: High-end saturation and fighting piracy

Pay-TV penetration is reaching its limit in the high-end segments.

Low-end customers are bypassing pay-TV providers and instead getting their content through piracy.

“Most [emerging region] pay-TV operators appear stuck in a **self-perpetuating cycle of servicing a limited premium customer base.**”

Ovum, Aug 2011

us\$2 BILLION

Asian Pay-TV 2010 losses due to **piracy**

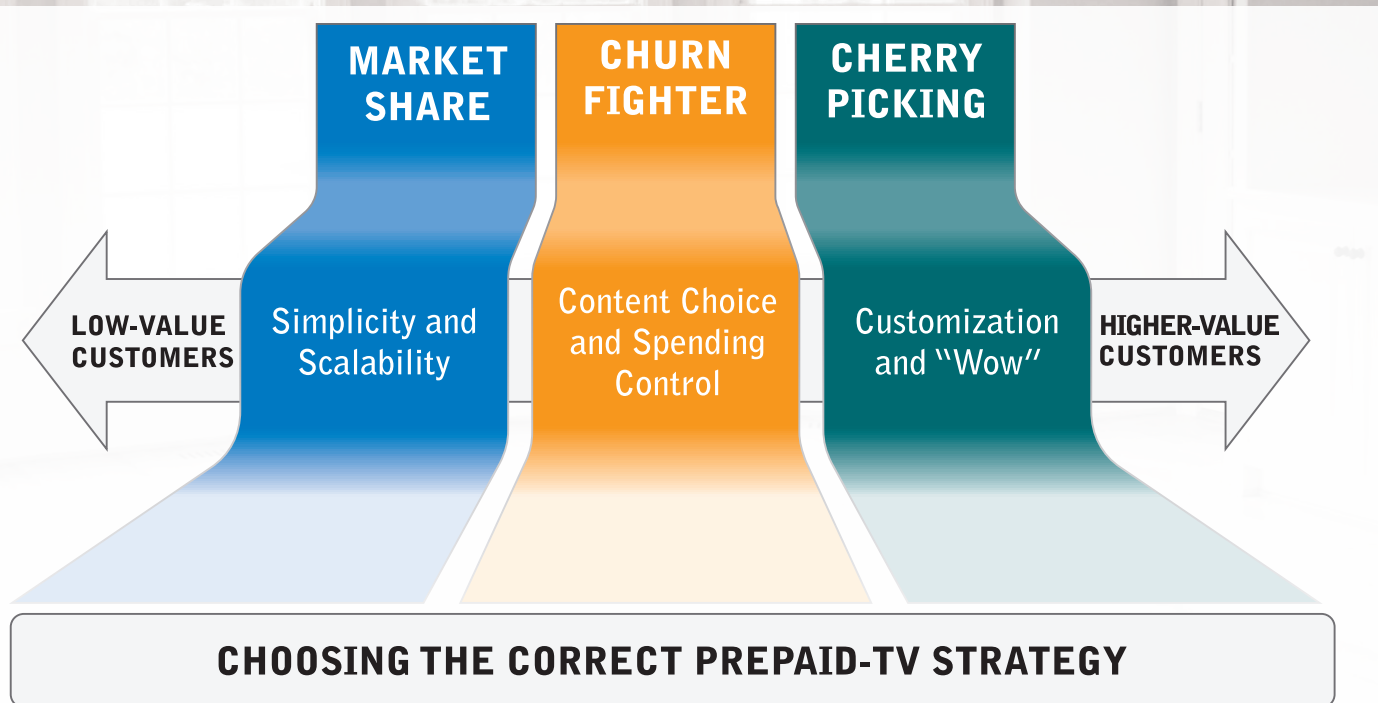
CSBA, Oct 2010

New business models and quad-play growth will help keep and grow customers.

Innovation will enable service providers to penetrate untapped segments.

PREPAID TV

CAN DRIVE DIFFERENTIATION AND CREATE GROWTH



One of the paths toward innovation is to reevaluate business models by introducing new offers, such as prepaid TV. True, prepaid TV has mostly been regarded as a way to penetrate low-ARPU markets or niche segments, but it can also be viewed as an opportunity to diversify the offering, creating a valuable differentiator. Prepaid TV can be used to penetrate different segments, using one of the three following strategies: Market Share, Churn Fighter and Cherry Picking.

MARKET SHARE

SIMPLE AND
SCALABLE

The market share strategy targets mid-to-low income users with straightforward packages. The goal is to add new subscribers. For instance, SkyCable in the Philippines is offering users a prepaid service. By rolling out digital set-top boxes they have reduced piracy and succeeded with their prepaid offering, seeing a 70 percent increase in subscriber numbers when they introduced the service in Manila (Informa, 2011).

CHURN FIGHTER

MORE OPTIONS MEANS
MORE CUSTOMERS

The churn fighter strategy aims to keep customers from moving to the competition/OTT players by offering more content choice (along with spending control) to provide significant value for customers. Airtel, an Indian TV provider, offers true flexibility through à la carte channel selection so customers can build their own prepaid packages. By allowing customers to view and pay for what they want, Airtel is retaining those customers who would leave if they faced an all-or-nothing choice between massive bundled packages or no service.

CHERRY PICKING

“WOWING”
PREMIUM USERS

The cherry picking strategy primarily targets higher ARPU customers with flexible and customizable prepaid offerings. Higher income users want—and can afford—premium content, flexible choices, the latest technology, multi-device viewing and more. TVN Poleca is a Polish pay-TV provider that launched new prepaid services in June 2011 targeting higher-value customers. The offerings come with a choice of high-end features, such as all HD channels, 3D channel options and DVR.

ENSURING OPERATIONAL READINESS

The right prepaid strategy will only work with the right operational business model. Prepaid offerings can range from basic, event-based vouchers, to a “create-your-own” prepaid service. Service providers must ensure that they have the platforms and processes in place to offer flexible prepaid TV services, thus adding an avenue of growth and differentiation to compete in a rapidly-changing market.

STAY TUNED

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