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Truly A 2-way Customer Experience

By Ray Bennett

Once upon a time, a certain cable company issued a "…request for assistance in building a full service telecommunications network." What did they mean by full service? This: "traditional CATV services, full VOD with instant access, interactive television, interactive gaming, long distance access, voice, video telephone, and personal communications services." The year was 1993, and this RFA was part of what was known in the industry as the Time Warner Cable FSN (full services network) project.

A full sixteen years later, "VOD with instant access" means choosing from the service provider's library AND from whatever is on the consumer's digital video recorder (DVR). Loyal fans of network shows expect to be able to catch missed episodes by time-shifting with their PVR or viewing them online. Cable companies all offer very competitive consumer voice packages and maintain more than 50% of the high-speed connections in North America.

However, cable companies are now threatened by a shift in subscriber behavior, altered by the world outside of their television – a veritable explosion of services and applications. There is a sense that the industry has under-achieved on its interactive dreams and that the time to remediate this under-achievement is now.

A Familiar, Yet Quieter, Threat

In 1993, there was an emerging competitive threat to the cable industry. Direct-To-Home Satellite service providers were demonstrating success as they headed toward their first million subscribers. This all-digital platform in the sky had the potential to deliver a far-superior viewing experience to the analog one-way video networks that the industry operated.

In 2009, subscribers view favorite TV episodes on the Internet, they experience personalized shopping and buying on Amazon, they choose from thousands of useful and entertaining applications on app stores using mobile devices, and they enjoy the uniquely personal experience of social networking applications that define the new universal experience.

The reason that this behavior threatens the business of traditional pay-TV providers is that it points to a change in the amount of time spent "leaning back" as opposed the time spent "interacting." Each of these services is fundamentally interactive; they were developed by people who take interactivity – and the interactive capabilities of their medium – for granted. Interactivity, although pursued by cable companies for a long time, has not been their strong suit. In a recent article from The New York Times, the author summed it up this way: "Apple designs an innovative smart-phone, sells millions of them, creates the App Store and approves 25,000 separate applications, which have been downloaded by users more than 800 million times. Cable is about to roll out an application that can change channels. It's working really hard to deliver weather and stock quotes sometime real soon now."

In January of 2009, Samsung and others unveiled Internet-enabled TVs for "widgets" - allowing the owner to select weather and other services from widget makers like Yahoo! who create apps for the Internet@TV service to be delivered to the TV using an ethernet connection.

When the threat of losing subscribers outright to competition from satellite was perhaps the greatest, cable companies were able to change the game. DOCSIS was the cable industry standard that equipment vendors marched to and cable operators deployed, allowing the operators in North

America to gain at one point a 70% market share for high-speed Internet access. Bundling this "data" service with video offers has improved both customer retention and ARPU.

While the most recent threat seems less about losing subscribers and more about eroding ARPU, changing the game again seems to be within reach of cable operators, thanks to their strategic investments in plant rebuilds and their new technology commitments.

Among the technologies that are uniquely available to cable companies is tru2way, and its less advanced cousin, EBIF (enhanced TV binary interchange format). Tru2way delivers a standard technology platform – hardware, software, and set top middleware architecture on top of which MSOs and third party developers can create interactive digital cable services. By the end of this year, the projection is that more than 20 million deployed set top boxes will be tru2way or EBIF capable, representing somewhere between 25 and 35% of the market. This technology creates an application platform that will allow operators and third party developers to create applications that can be used by the majority of cable customers across North America.

Lessons Learned

Interestingly, the legacy of lessons learned from the FSN project provides some advice for interactive launches. Those lessons, as stated by the FSN team, included:

1. Interactive Services must be layered on top of the existing business model so that they do not detract from the total value of services delivered to the customer
2. Certification of interactive applications to ensure that they don't disrupt existing applications is critical
3. Interactive services require a different communications model than on-demand services

Apple seemed to heed these lessons when launching their App Store two years ago. The key difference between the late 90's and today is the change in consumer expectations and their behavior. If we accept that the key difference is consumer behavior, then it's logical to say that the key differentiator is the customer experience. Ten years ago, we talked about homes passed and subscribers. Today, we talk about "customer relationships.". Consumers view every service more personally, and they expect customer service to improve as technology improves.

Let's look at these lessons learned in the context of 2009.

Lesson one: The opposite of detracting from total value is adding to the total value. Cable service providers can leverage next-generation interactivity, world-class content, deep personalization, and extraordinary self-service capabilities to build stronger and more profitable customer relationships. Bringing these factors together by aligning them with tru2way capabilities should produce a healthy ecosystem because it will layer on top of existing services in a way that adds to the total value of what is delivered to the customer.

Lesson two: CableLabs created the standards for hardware and software development that make tru2way a viable consumer technology. While CableLabs will offer inter-operability events for hardware and software developers, ultimately, the MSOs will need to specify their certification criteria for any tru2way application that will run over their network –whether developed in-house or by third parties. It is not a given that developers will come in droves to deliver tru2way applications. Cable service providers will need to make it attractive and not too painful for legitimate applications to make their way onto the network.

How to Make it Attractive

One of the keys to making the tru2way infrastructure attractive will be making it easy for third parties to monetize their services. Partner settlement capabilities and digital commerce certifications will be as important as the functional certifications of the set top middleware.

If tru2way is to give consumers a digital commerce experience, then the hygiene of digital commerce will need to be attended to. Service providers will need to have a unified product catalog and a unified view (a 360-degree view) of the customer. Consumers will want to be able to manage and view their account to do everything from review the status of their VOD spending to checking the status of their online gaming subscriptions and creating dynamic picture-in-picture layouts that will allow them to choose between online and linear content.

However, the game-changer for cable companies could be personalization. The value proposition of personalization is this: providing consumers with efficient access to relevant content, ads, and services will translate into tangible revenue growth for the service provider. The personal information that cable service providers have about their customers is significantly different than what their competitors know. Cable companies know how their customers like to be entertained and informed, how much time they will give to certain kinds of activity, and their preferred time slots for those activities. By tailoring the interactions between the customer and the enterprise, and addressing their unique needs by taking into consideration their intentions, habits, and preferences, the service providers will ensure relevance.

And relevance is perhaps the single most important criteria in attracting top advertising dollars. As cable company consortium Canoe Ventures folks have said, this "… is not only about making advertising more effective. Americans are watching more TV than ever, and we're accelerating its evolution by making it a more exciting, robust, and relevant platform for viewers, too."

The benefits of personalization, whether derived from explicit choices the customer makes or the implicit recommendations and choices of the artificial intelligence engines running behind the scenes, will lead to increased ARPU, decreased churn, and improved ad revenues.

The cable industry sits amidst a competitive landscape unlike any it has ever known. The number of true competitors with formidable capabilities, capitalization, and ambition is growing. By maintaining a focus on the customer experience and the changing behavior that defines it, cable service providers can leverage this next generation of interactive technologies to change the game again.