



We Share Our Knowledge

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"A La Carte"

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1. Introduction

In this article, we will review a new method for pricing TV channels, titled "A la carte".

This method is currently being evaluated by the FCC (the American Federal Communications Commission), as a possible replacement for the existing TV pricing method.

We will examine the consumer standpoint regarding this new method, as well as that of the NCTA's (the American National Telecommunication Cooperation Association).

2. Background

The FCC is currently reviewing a new pricing method, called "A la carte". According to this new approach, TV viewers will be able to assemble a personalized channel package for themselves, according to their individual preferences. This way, the consumer will not be compelled to purchase channel packages preset by the cable company, but, for a set amount, will be able to receive a set number of the channels of his choice.

For instance, for 200 NIS, the consumer will be able to choose any 10 channels out of the available selection. For 20 additional NIS per channel, he can choose any number of additional channels.

According to a survey conducted by the FCC, using the new method, consumers will spend an average of 13% less NIS in their monthly cable expense.

3. The Consumer's Standpoint

LRG recently conducted a survey amongst 1,586 adults (over 18), examining the level of consumer interest in changing the pricing method to "A la carte".

Following are the survey's details:

The survey was conducted among two groups. The first group included TV consumers who were not informed about the "A la carte" details. Those consumers were asked about their interest in the possibility of assembling their own channel package.

The results from the first group were as follows: 40% of the consumers were highly interested in the new pricing method (a score of 8-10 in a scale of 1-10, 1 being no interest whatsoever).

In order to examine how being fully informed about the new method will affect the consumers' opinion, they were asked the same question again, after being fully informed of the new pricing method, its requirements and implications (e.g. upgrading to digital cable boxes, paying the same amount for less but preferable channels, etc.). The level of high interest indicated this time was just 17%.

The consumers in the second group were originally informed of all the requirements and implications of the "A la carte" system, and only then were they asked for their level of interest. In this case, the percentage of highly interested consumers was also 17%.

	Group One	Group Two
Very interested in "A la carte" (general)	40%	NA
Very interested in "A la carte" (given implications)	17%	17%

Source: LRG

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From the results of this survey we learn that the possibility of consumers compiling their own channel package seems appealing to most, but after being informed of the requirements and implications of the "A la carte" system, only 1 of every 2.5 consumers previously highly interested still finds this new method appealing.

4. The NCTA's Standpoint

The NCTA is opposed to shifting to the new method, due to different economical and content-related reasons.

The NCTA claims that consumers choosing their own channel packages will pay the basic price and in exchange will receive the minimal number of channels, without increasing their monthly expense by purchasing a larger number of channels.

Additionally, the association claims that personalized channel packages will cause reduced channel diversity from which consumers can choose, thus creating less diversity in TV programming (as channels that are less popular will eventually disappear).

5. Conclusion

From the consumer's perspective, the "A la carte" method will enable him to create his own channel package, consequently allowing him to:

- Control his monthly cable TV expenditure.
- Determine which channels he and his family will be able to watch.

As far as the NCTA is concerned, the "A la carte" system can decrease income and reduce the number of channels available.

An important issue disregarded by the NCTA is that marketing activities such as Cross sell/Up sell can help increase profitability and generate even more revenues than before.

Additionally, due to the fact that "A la carte" enables cable companies to confirm which exact channels are viewed in each household, advertisers will now have a more concentrated captive audience for their commercials, which will enable them to eventually increase their revenues as well.

About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

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