Satellite TV: Outdated and expensive?

Satellite TV has been a mainstay in peoples’ lives since the 1980s, efficiently delivering highly-sought video content to the masses with massive efficiency. We use it to stay up to date on the latest news, sporting events, soap operas and films; there’s something for everyone. The number of channels has increased exponentially for years, but many are expecting a slow-down over the next decade.

Satellite TV is probably the most well-known satellite application when it comes to the general public. They might not fully understand the complexities behind the technology, but there’s a big appreciation of it in every-day life. The beauty of satellite for TV is in its efficiency; all it takes is one downlink, and millions of people can receive the broadcast content. That efficiency was further enhanced not so long ago when the move from analogue to digital came into effect, enabling high definition (HD) broadcasts.

Satellite TV - A growing market?
The number of satellite TV offerings is certainly growing, and it’s true that over the last year we’ve observed an overwhelming number of new satellite direct to home (DTH) deals announced all over the world. However, the long-term health of the market remains in great dispute.

According to Credence Research’s ‘Pay Television (TV) Market (Type – Cable Television, Satellite Television and Internet Protocol Television (IPTV) – Growth, Future Prospects and Competitive Analysis, 2017-2025,’ the number of global pay-TV subscribers is set to surpass 1,100 million by 2025. The most significant growth factor is identified as the ongoing transition to digital currently taking place across the Asia-Pacific, Latin America and Africa, as well as rising technological advancement throughout the TV and broadcast sector. The advent of 4K/UHD, too, means that some consumers are moving to more high-end subscriptions. The growing number of Internet services, in North America and Western Europe in particular, means that IPTV adoption is also on the up. Credence Research, therefore, expects demand for satellite TV to remain strong through to 2025, despite the ongoing challenge from OTT services and piracy.

Northern Sky Research’s (NSR’s) ‘Linear TV via Satellite, 9th Edition’ report agrees in part. The report states that, despite OTT’s advancement in many regions, linear TV via satellite will remain a global growth market with more than 12,000 new channels over the next ten years, reaching 53,600 channels in total by 2026. However, it states that “the heady days of exponential DTH and video distribution growth appear to be coming to an end as markets saturate and competition increases.”

Despite the expansion of HD and 4K/UHD, NSR asserts that DTH growth will be driven by SD channels, with more than two thirds percent of channels carried in 2026 to be in SD format. However, satellite operators will also benefit from channel growth occurring on the higher bandwidth HD format, indicating that DTH, cable and IPTV markets are finally reaching an inflection point in terms of their product offerings,” states the report. Some platforms are focusing on delivering more premium offerings to compete with OTT services, and there also exists a fear of cutting channel offerings in case of customer loss to cord-cutting.
Satellite TV...

"Increasing levels of compression - and especially HEVC implantation on video distribution to Cable and IPTV headends - will have a much greater negative impact on satellite capacity demand growth longer term than any increases to number of channels carried over satellite," commented Alan Crisp, NSR Analyst and report lead author. "Pay TV platforms are looking to decrease costs so subscribers will not feel impacted. Reducing capacity costs through compression is one of the core ways that this can be achieved. Consequently, video leasing revenues in some regions will peak in the medium term, as compression and modest pricing declines begin to take effect."

The report concludes that we're at the end of an era in terms of the high revenue and satellite capacity demand growth as a result of DTH platforms, although 'the sky is not falling' as DTH and video distribution are expected to remain the main source of income for many FSS operators in the long term.

How big a problem is cord-cutting?
Cord-cutting, the practice of cancelling or forgoing a pay-TV subscription or landline phone connection in favour of an alternative Internet-based or wireless service, is definitely on the rise, particularly in the USA and Western Europe, and among the younger demographic.

I like to think I'm a pretty standard example of a Western 'millennial,' when it comes to my consumption habits anyway; I drink overpriced coffee, spend too much time in bars and restaurants, and have even brunched on avocado on toast...

It's also true that I have never had my own landline phone, and that the only TV that I've ever paid for is the UK's official TV Licence and a Netflix subscription. And I'm far from alone in that.

S&P Global Market Intelligence's Kagan Group recently announced that, in the USA, some 1.2 million customers were lost from cable and satellite pay-TV services in the third quarter of 2017, reportedly due to cord-cutting. Satellite TV services lost around 475,000 subscribers compared with a gain of 5,000 in the third quarter of 2016; cable providers lost 290,000 subscribers, up from a 90,000 loss in the same quarter of 2016. Indeed, USA online TV services such as Sling TV and PlayStation Vue added a whopping 962,000 subscribers in the third quarter of 2017, compared with the total 872,000 subscribers lost from traditional pay-TV services in the same period.

The last three to four years has ushered in a major change in viewing habits in Western Europe and USA, with consumers moving from traditional pay-TV services via cable and satellite, towards the often lower-cost OTT players. Netflix, Hulu, Amazon Prime Video and even YouTube have become a significant threat to traditional DTH operators, no matter what anyone says to the contrary. The business model of vast quantities of cheap TV (there are reportedly around 34,739 hours of content on Netflix) is gaining momentum. This also means that, while new OTT subscribers might outnumber traditional pay-TV subscriber losses, there remains an overall revenue loss, since online TV services average at US$30-40/month, while traditional cable packages
Satellite TV
cost some US$100/month. According to Barclays, media
companies are set to lose out on more than US$13 billion in
revenue in the next ten years as a result of the trend.

Cord-cutting consumers in the USA, however, might be
facing their own challenges soon...

Breaking the Internet?
If you’ve been keeping up with the news, you will have read
that the transition to the Trump administration in January 2017
brought with it new problems for consumers, and particularly
cord-cutters, in the USA.

Newly-appointed FCC commissioner Ajit Varadaraj Pai
has vocally objected to the Open Internet Order, a set of
regulations which helped establish the net neutrality concept
i.e. the principle that Internet service providers must treat all
data on the Internet the same, and not discriminate or charge
differently by user, content, website, platform, application,
type of attached equipment, or method of communication.
Indeed, Varadaraj Pai plans to modernise FCC policies to
‘match the reality of the modern marketplace,’ by ending the
utility-style regulatory approach and establishing the power
of market forces in regulating the Internet.

Critics of the scheme are many; the big broadband
providers would essentially be granted freedom from almost
all oversight authority, granting permission to essentially end
net neutrality. For consumers, this would mean that a
broadband provider would be perfectly within their rights to
block access to certain sites, or charge certain sites to be
viewable on its network.

OTT service providers could each be looking at a major
bill just to allow their subscribers to be able to view their site
through their broadband provider. While industry giants such
as Netflix, Amazon Prime Video and Hulu would no doubt be
able to afford this price, does it seem right that they should
have to pay up? There’s no doubt, either, that in almost all
cases, the extra costs would be passed on to consumers;
that low-price OTT subscription suddenly might not look quite
so cheap compared to cable and satellite. Moreover, what
about the small and medium enterprises (SMEs), or the start-
ups, who might not have the capital available? Is it fair that
they would be rendered effectively unable to compete with
the large OTT players?

Citizens of the USA are duly outraged. Interestingly, a
poll from the Summer of 2017 showed that 77 percent of
Americans support the current protections, including 73
percent of Republicans; the outrage spans both political
parties.

On 14 December 2017, FCC commissioners voted three
to two in favour of dismantling the net neutrality rules, which
have for years prevented the Internet from becoming a Wild
West of toll road traffic. ISPs are now legally able to charge
selected websites more for delivering traffic, or block selected
websites entirely, should the whim strike. In fact, they’re now
pretty much able to do anything they please, provided they
publicly state that they’re going to do it.

Protestors have called for Congress to block the decision,
and both of the two negative voters (interestingly, both
Democrats) have spoken out against the decision. FCC
commissioner Mignon Clyburn stated: “I dissent because I
am among the millions outraged, outraged because the FCC
pulls its own teeth, abdicating responsibility to protect the
nation’s broadband consumers.” FCC commissioner Jessica
Rosenworcel, meanwhile, asserted that the FCC had shown
‘contempt’ for public opinion, and called the process corrupt.
“As a result of today’s misguided actions, our broadband
providers will get extraordinary new powers,” she commented.

The effects on OTT companies, cord-cutting consumers,
and the knock-on effects as far as DTH satellite services
goes, will remain to be seen in the months and years to come.
Ultimately, it’s up to how the ISPs plan to wield their newfound
powers.
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