

# STRATEGIES FOR LAUNCHING NEW CHANNELS IN 2006

by

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At TViFusion, I reviewed over 150 business plans for new television channels. In the intervening four years, only a handful of the proposed channels have actually launched; SiTV and The Tennis Channel having the highest profiles. Half-a-dozen others are still negotiating for carriage with cable and DBS operators; the remaining channels have, unfortunately, fallen off the map.

A major selling point for the addition of the digital platform was the possibility of receiving a large variety of television channels. But we quickly discovered the digital platform had an unacceptably high churn rate. At a certain point, subscribers apparently feel that the additional channels no longer justify the additional expense. In support of this hypothesis are studies that show subscribers regularly watch only a few favorite channels.

Operators know that it is no longer feasible to add channels to a platform and increase the monthly subscriber fee to offset the new programming expenses. This situation presents a dilemma for new channels attempting to gain carriage.

At the same time, smaller channels that have already attained carriage are facing uncertainty as to their long-term viability. Under political pressure to become more family-friendly, operators are beginning to consolidate channels into special-interest tiers. This tiering presents both problems and opportunities. Basic channels are supported by monthly subscriber fees as well as advertising revenue. Even though their revenue-per-subscriber may be modest, smaller channels get a considerable lift from being included on tiers that reach tens of millions of subscribers. Being placed in a special-interest tier with far fewer subscribers may dramatically reduce a channel's revenue stream.

However, placement on a special-interest tier could offset some of the loss of subscriber fees. By definition, a special-interest tier would be conducive to targeted advertising resulting in higher ad rates.

If special-interest tiers are expanded beyond family-friendly tiers, an opportunity may exist for new channels that would embellish the value of a tier. But the economic model will be far different from the past. The new channel will have much a greater dependence on advertising revenues, sponsorships and non-traditional revenue streams.

VOD is both an opportunity and problem for new channels. This new platform enables new program suppliers to get carriage much more easily than previously. It even enables the creation of "virtual channels," but the economics are difficult.

Operators are taking the position that they are providing a valuable service to new program suppliers and, therefore, they will not pay subscriber fees. Thus the program supplier has to find a way to get sponsorship and ad revenue. It becomes even more difficult when one realizes that in this brave new world, the small niche product is in competition with the latest big series' episodes from the entertainment conglomerates. Effective navigation systems similar to the internet will have to be developed, but in the meantime, size matters on the VOD platform.

The time has come for truly special-interest programming, but it will have a different business and programming model from traditional channels. With the popularity of the internet, the cat is out of the bag ... “top-down” authoritative programming won’t work for viewers accustomed to having control over their media experiences. Whether television platform or internet, these channels need to create a community in which the members of the community are empowered to participate in the creation of content.

With an “activist” community of involved members, the channel attains greater ability to grow from the effects of “viral marketing.” Additionally, with the pro-active participation of community members, the “heavy lifting” of creating fresh content is divided among a large group of people with a vested interest in the outcome.

This model has enormous implications. Whereas the costs for launching a new traditional television channel has recently been north of \$60 million, the potential now exists to launch a virtual channel on the internet at a very low cost and, as critical mass is achieved, extend it organically and with little incremental cost to other media platforms such as television and portable electronic devices.