Traditional vs Streaming Live TV Pricing Strategy

January 2025

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Terminology

<u>MVPD</u>- Multichannel Video Programming Distributor. TV Network providers that offer linear programming ("Live TV") across multiple channels over Cable, Satellite, DSL, Fiber etc.

<u>vMVPD</u>- Virtual Multichannel Video Programming Distributors are TV Network intermediaries that stream linear programming ("Live TV") multiple channels over customers internet connections.

<u>ARPU</u>- Average Revenue Per User (Subscriber) is a key metric that tracks user level commercial performance

Both MVPD & vMVPD face headwinds from Streaming on-demand content providers

17 — Average number of channels watched by a TV viewer

190 — Average number of channels available on MVPD networks (Cable/Fiber/Satellite)

$110 — Average Cable monthly bill

33% — Cable bill as a percent of average household monthly entertainment budget

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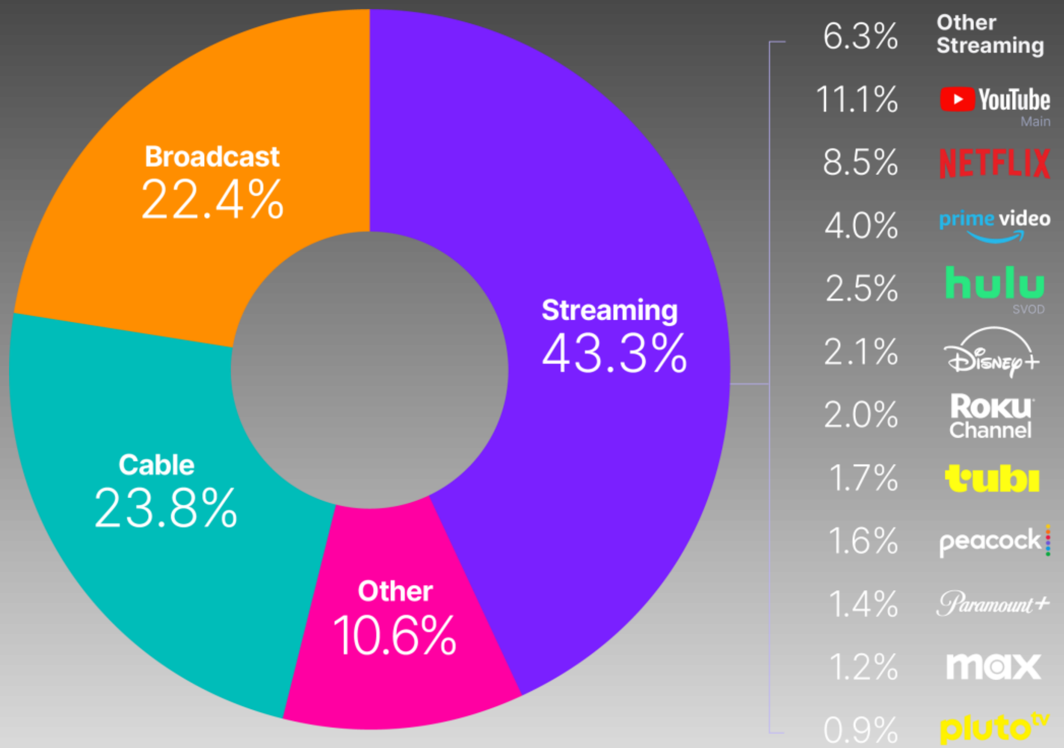
44% — Of cable subscribers would cancel if they could access live sports via streaming*

Share of TV viewing time



Source: https://www.nielsen.com/data-center/the-gauge/
Note: Nielsen does not include "linear streaming" (vMVPD+MVPD apps) in the streaming category

Source: Syneractiv proprietary research and Consumer Expenditure Survey from the U.S. Bureau of Labor Statistics
*https://www.magnite.com/press/magnite-ctv-live-research/

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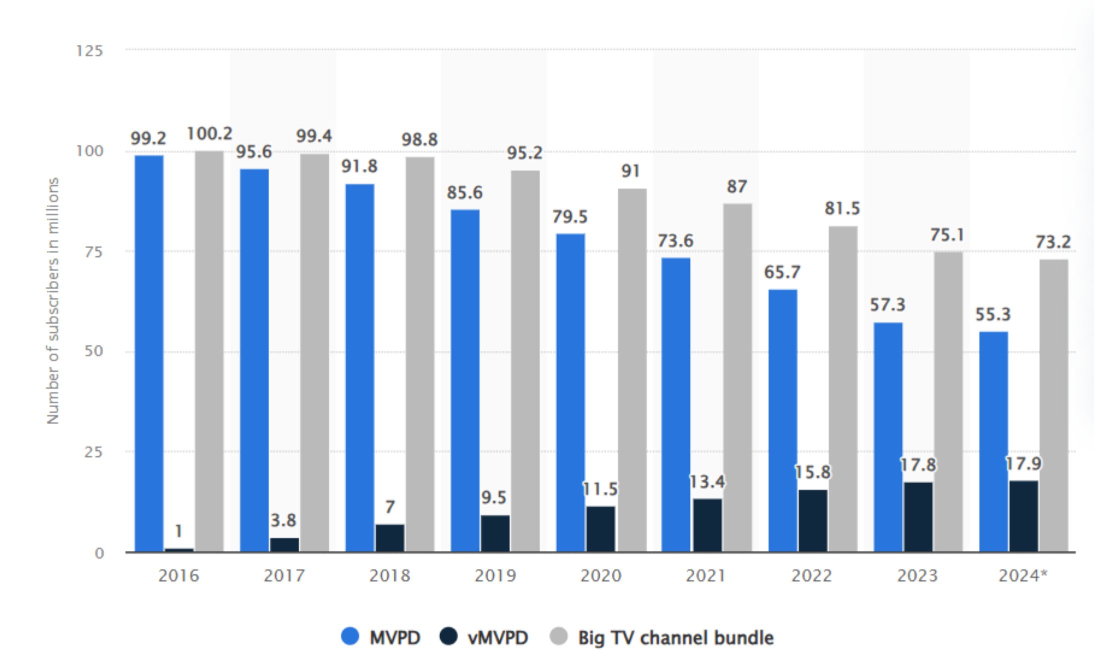
Live TV decline is driven primarily by MVPD exodus, although vMVPD gains are slowing

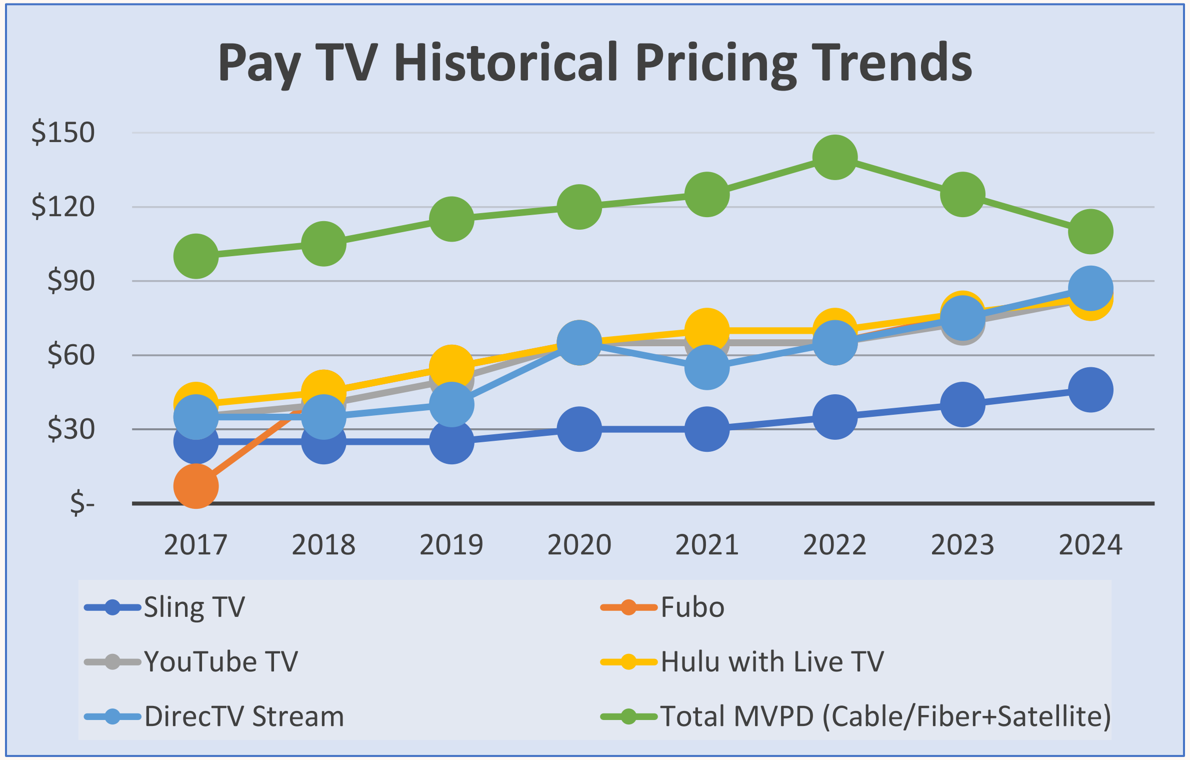
After experiencing rapid growth, vMVPD gains have stagnated over the past couple of years.



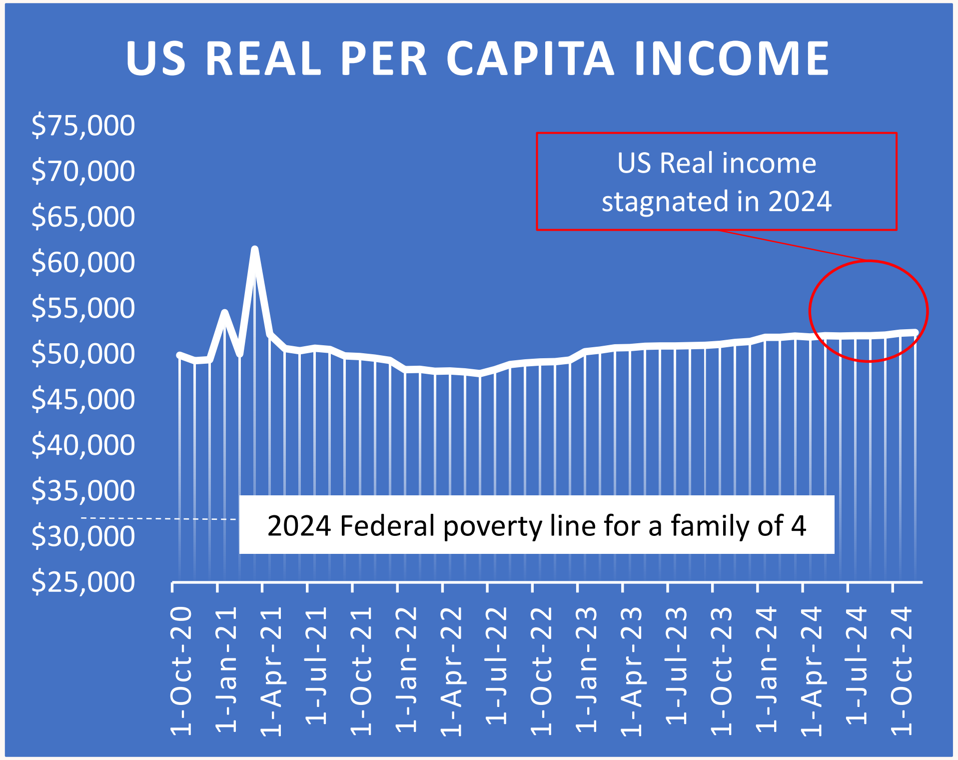
MVPDs are still hemorrhaging, as subscribers continue to exit in droves, resulting in total pay TV losing 26 million subscribers over the past 7 years.

Image Source:
https://www.statista.com/statistics/1462222/number-of-vmvpd-mvpd-and-big-tv-channel-subscribers

Rising MVPD subscription costs & stagnating consumer purchasing power are compounding this shift

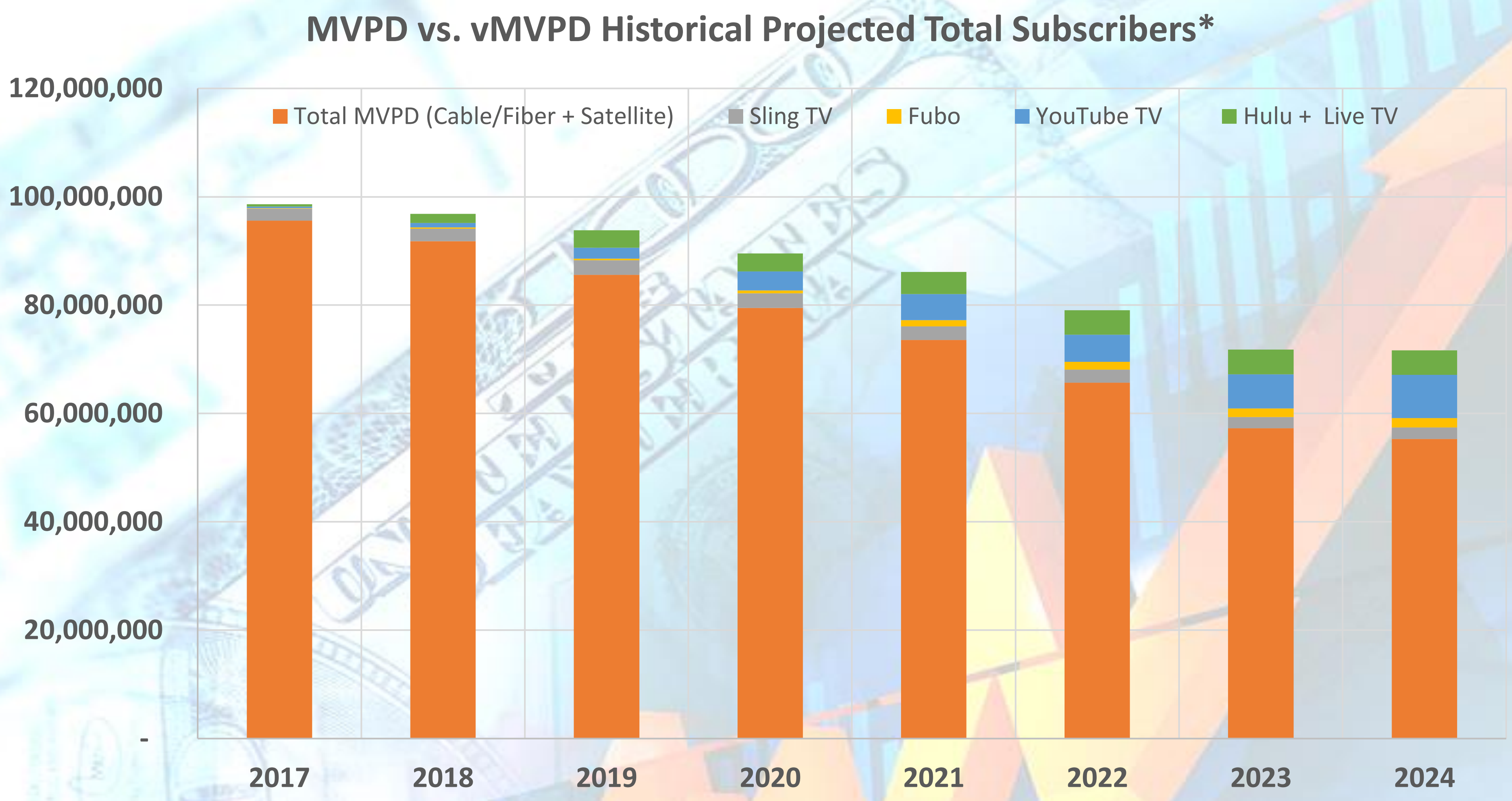


Data source: Syneractiv primary & secondary research



Data source: Bureau of Economic Analysis

Subscriber trends validate downward pressure created by escalating costs



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Pricing strategy has never been more important in the Live TV market

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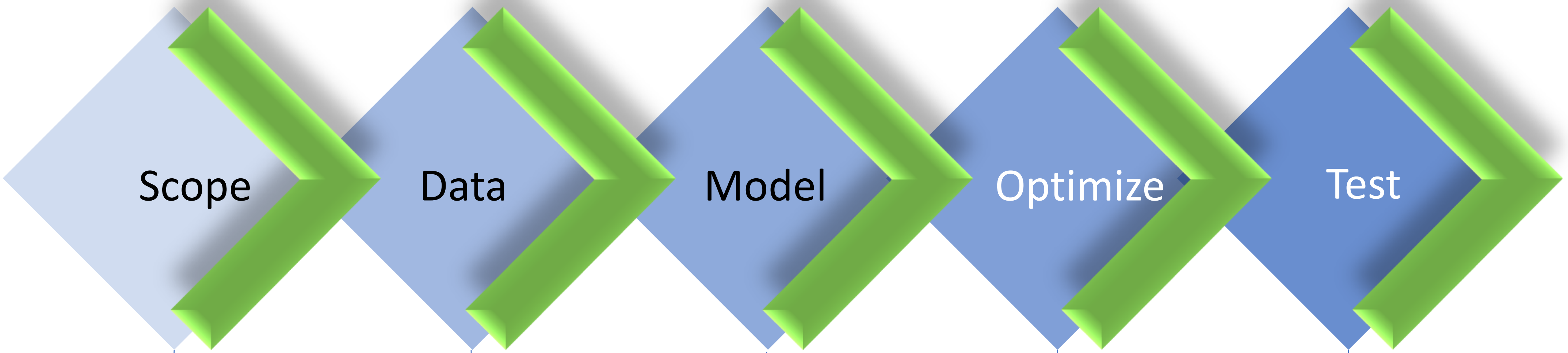
Study design & analytical approach



Define business objectives & KPI- market penetration, share gain, acquisition/ retention.	Determine metrics, acquire, exploratory data (primary/ secondary), analysis, prelim hypothesis.	Select analytical approach (conjoint, econometric), estimate market-level price elasticity.	Optimize own price by market using competitive pricing constraints, validate simulated outcomes.	Select test and control market or consumer group to evaluate model output. Deploy at scale with any adjustments.

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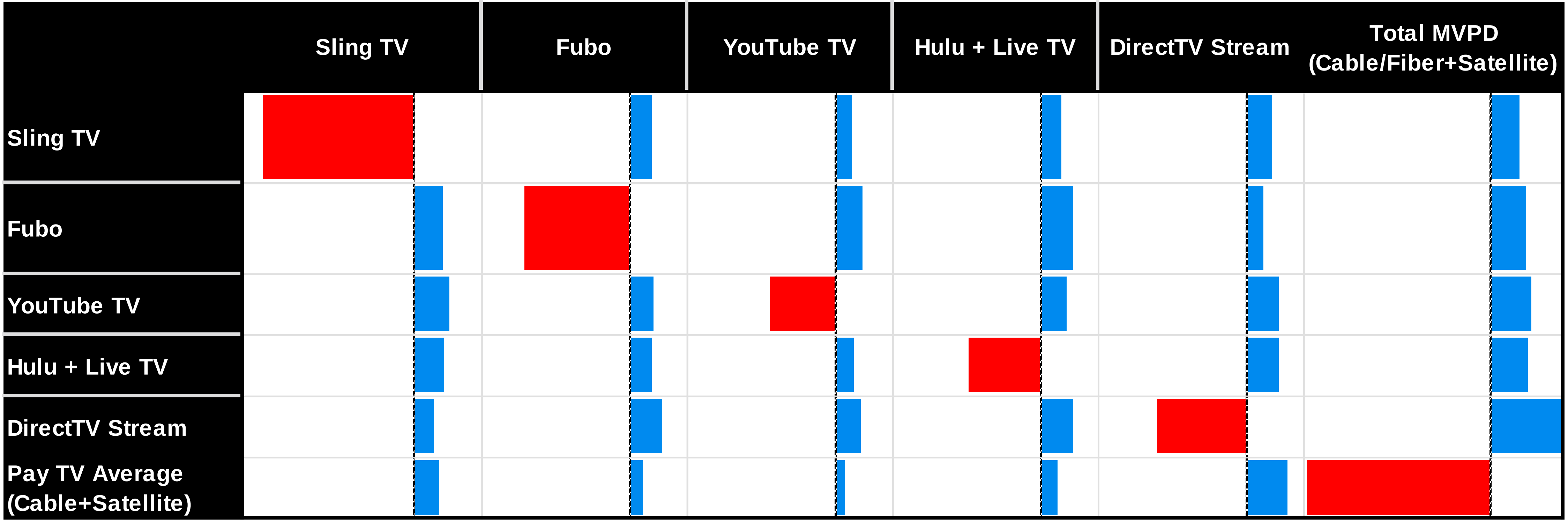
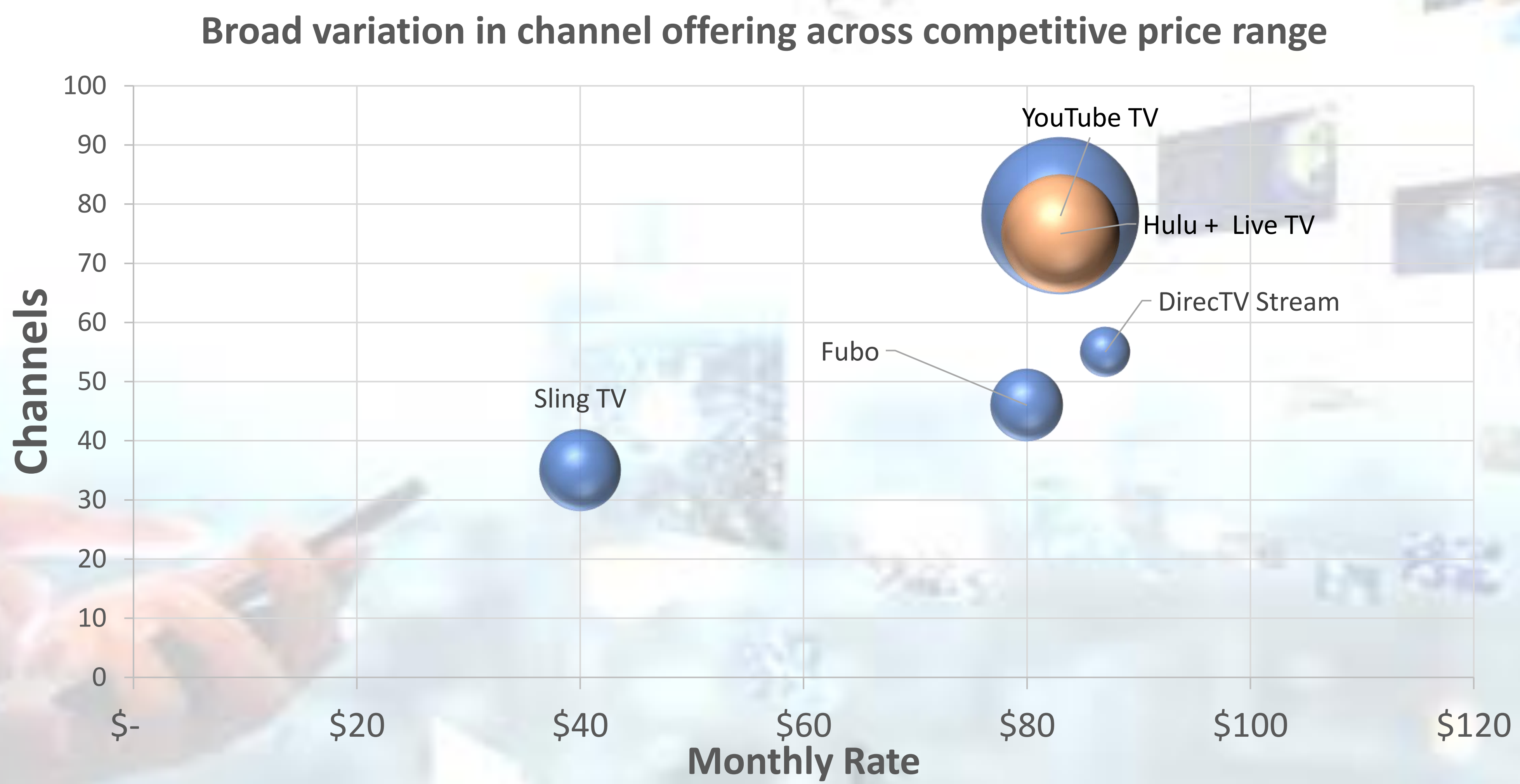
vMVPDs are less elastic compared to MVPD, with the exception of Sling TV



Bars in red indicate magnitude of Price elasticity of Demand (negative because subscriptions go up as rates go down and *vice versa*), while bars in blue indicate Cross-price elasticity due to competitive pricing effects (positive because subscriptions go down as competitor rates go down and *vice versa*).

vMVPDs' not so skinny bundles range from 30- 80 channels, significantly higher than the average 17 channels that subscribers view



Note: Bubble size illustrates vMVPD subscriber share

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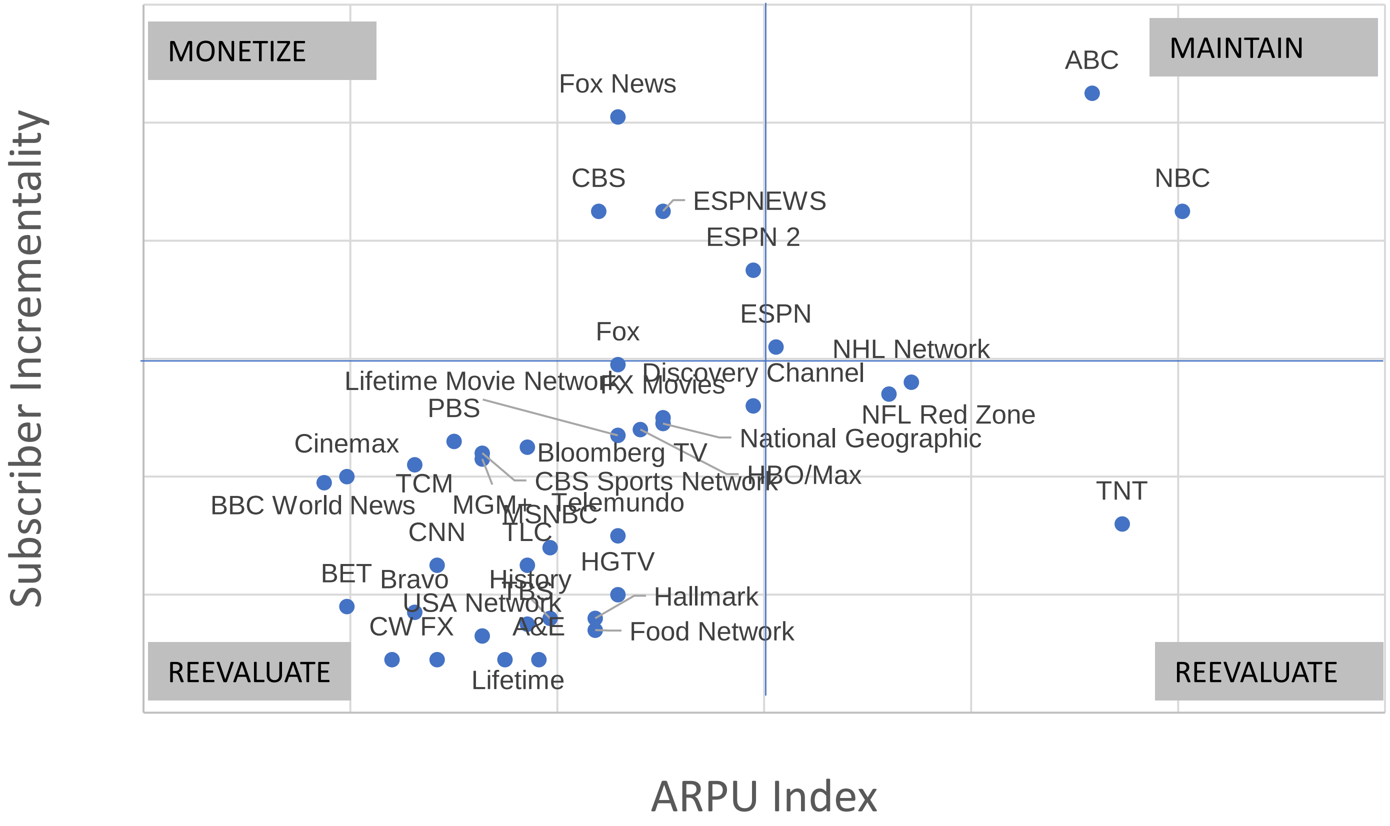
Sizeable differences in channel contribution to subscriber utility… a la carte opportunity?

Channel Incrementality vs Ad Revenue Per User Index



Present subscription packages show a high degree of inefficiency, with consumers paying for large number of channels that have lower utility for them, but do drive ARPU up due to bundling, at the cost of consumer satisfaction

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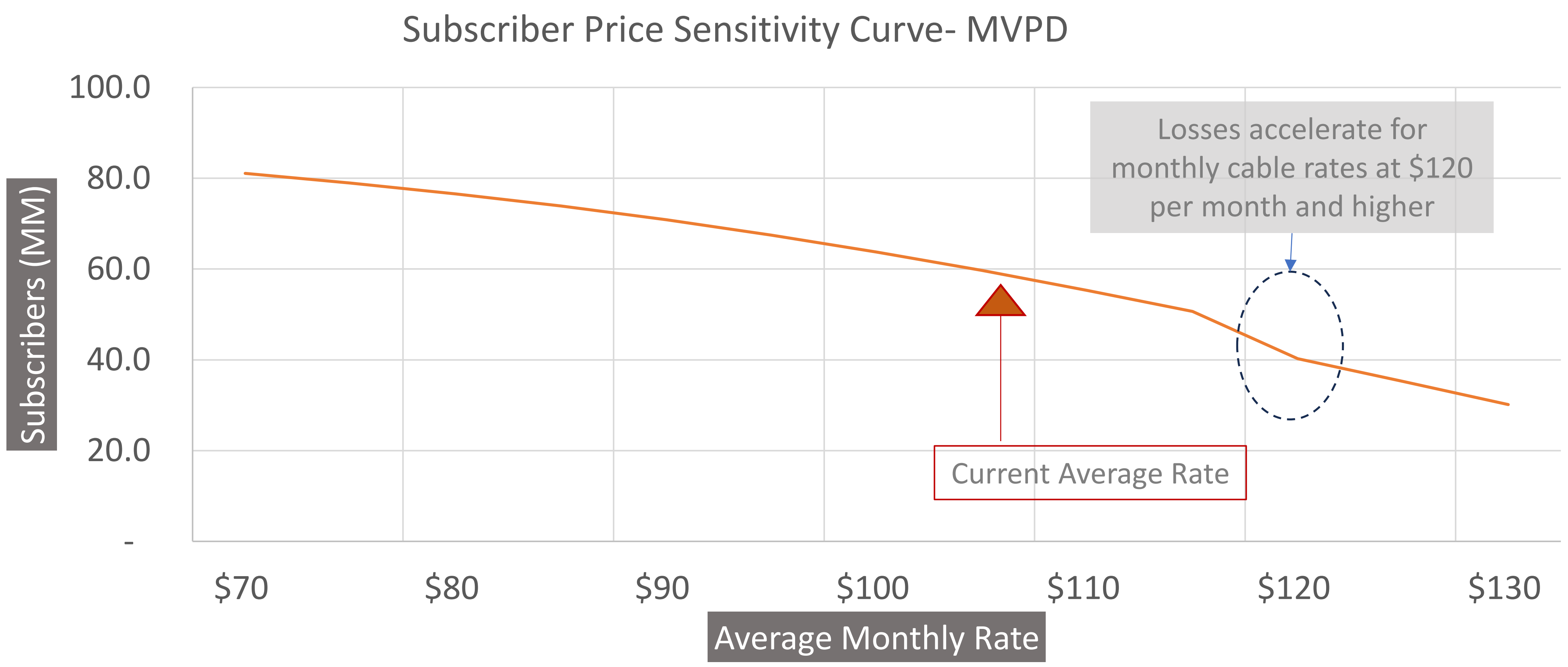
Steep Price Elasticity Curve for MVPD



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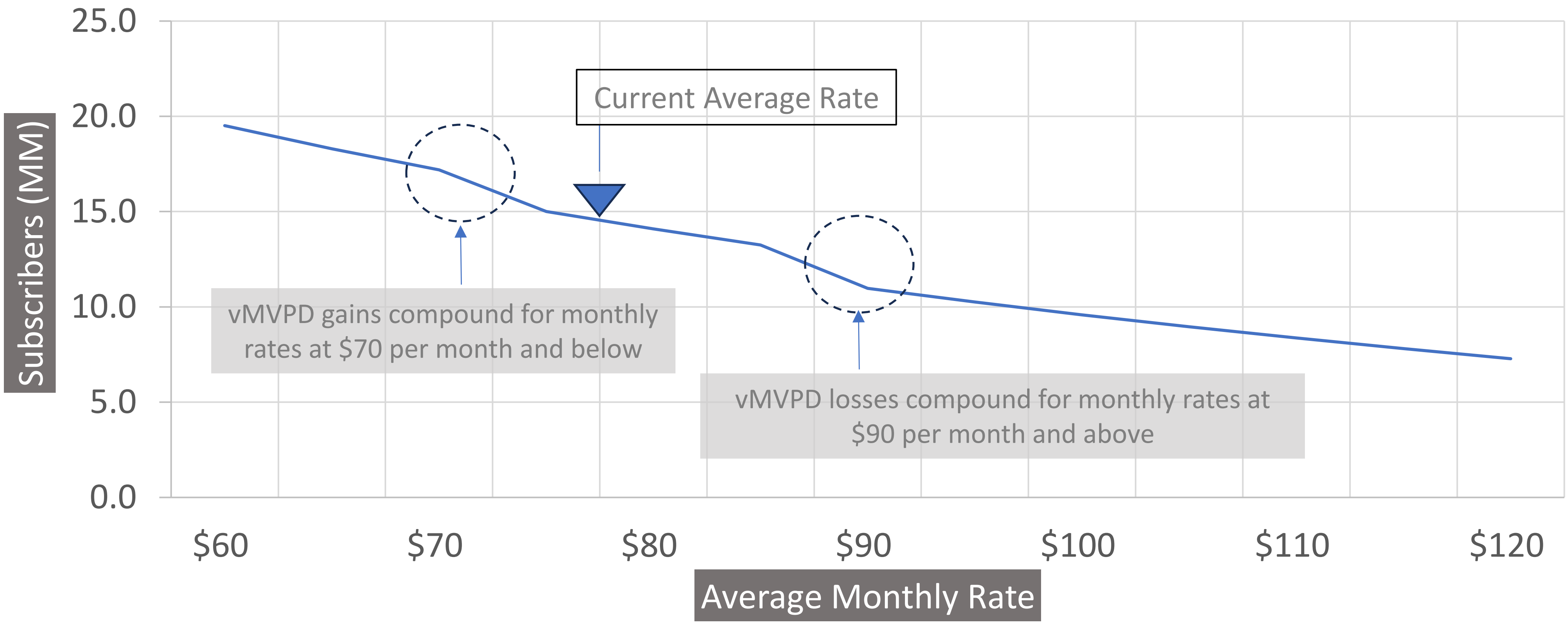
While less elastic, vMVPDs have a steep price impacts at 2 price points; $70 (~10% average rate drop), and at $90(~20% average rate increase)



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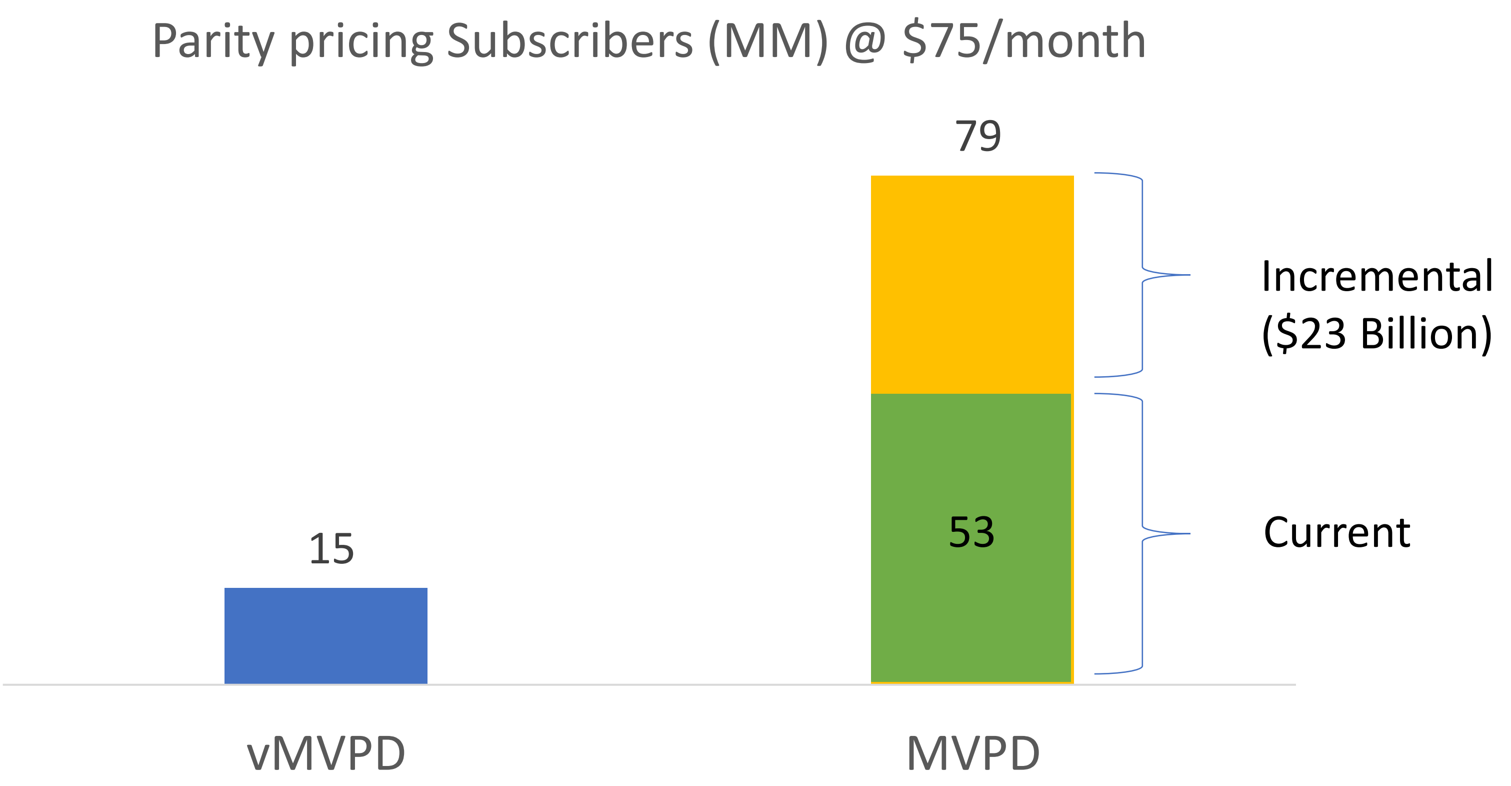
Higher price sensitivity for MVPDs make a move downwards to price parity with vMVPDs inevitable

MVPDs across board may need to move prices downward % to bring prices comparable to vMVPDs to stem the 2 MM annual subscriber loss.

Pricing represents, in the longer term, an opportunity to recoup over $23 Billion in annual revenues.

MVPD margins may however be untenable at this price point, due to their higher cost of revenue relative to vMVPD. This may limit how much MVPDs can leverage price as a lever to reverse losses.



*Assumes no structural industry changes like competitive exits, consolidation or greater adoption of streaming delivery model by MVPDs, which will change current cost dynamics

Reducing price sensitivity through brand development

While pricing is vital in a competitive market such as Live TV, competing solely on price will reduce brand value by diminishing perceived value of differentiating features.

Pricing strategy should be in-lockstep with corresponding branding campaigns that highlight the value being offered by the channel offering or coverage of special live events.

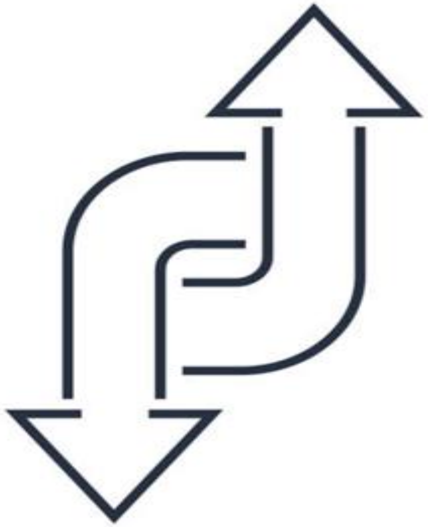
Reduce Price sensitivity

Highlight Unique Value Propositions

Engage sports/music fan communities around live events

Loyalty Rewards program

Celeb/Influencer collaborations



Frequent use of promotional offers/rebates

Competitive price matching

Frequent price changes

Minimal quality differentiation

Increase Price sensitivity

So, to sum up…

- Live TV is in decline, driven primarily by MVPD exodus, although vMVPD gains are slowing as they raise prices.
- vMVPDs are less elastic compared to MVPD, suggesting a greater tendency to raise prices, however vMVPDs have steep price impacts at 2 price points; $70 (~10% average drop above current rates), and at $90 (~20% average increase above current rates).
- Present subscription packages show a high degree of inefficiency, with consumers paying for large number of channels that have lower utility for them, but do drive ARPU up, resulting in disgruntled customers. Sizeable differences in channel contribution to subscriber utility suggests opportunity to enable *a la carte* selection and pricing for channel combinations to drive better consumer value.
- Pricing strategy, in the longer term, puts into play $23 Billion in annual revenue shift- an opportunity to capture for vMVPDs and an opportunity to defend for MVPDs. MVPDs across board may need to move prices downward % to bring prices comparable to vMVPDs to stem huge annual subscriber losses but maybe limited in their ability to move prices downward due to higher cost of revenue.
- Pricing strategy should be in-lockstep with corresponding branding campaigns that highlight the value being offered by the channel offering or coverage of special live events.

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