

# **Video Transition:** *Be The Customer's Advocate*

Presented by:

Tom Lovell, General Manager, CL Tel



# Clear Lake Independent Telephone Company

HQ: Clear Lake, IA

Founded: 1895



**1895**



# Service Area and Population

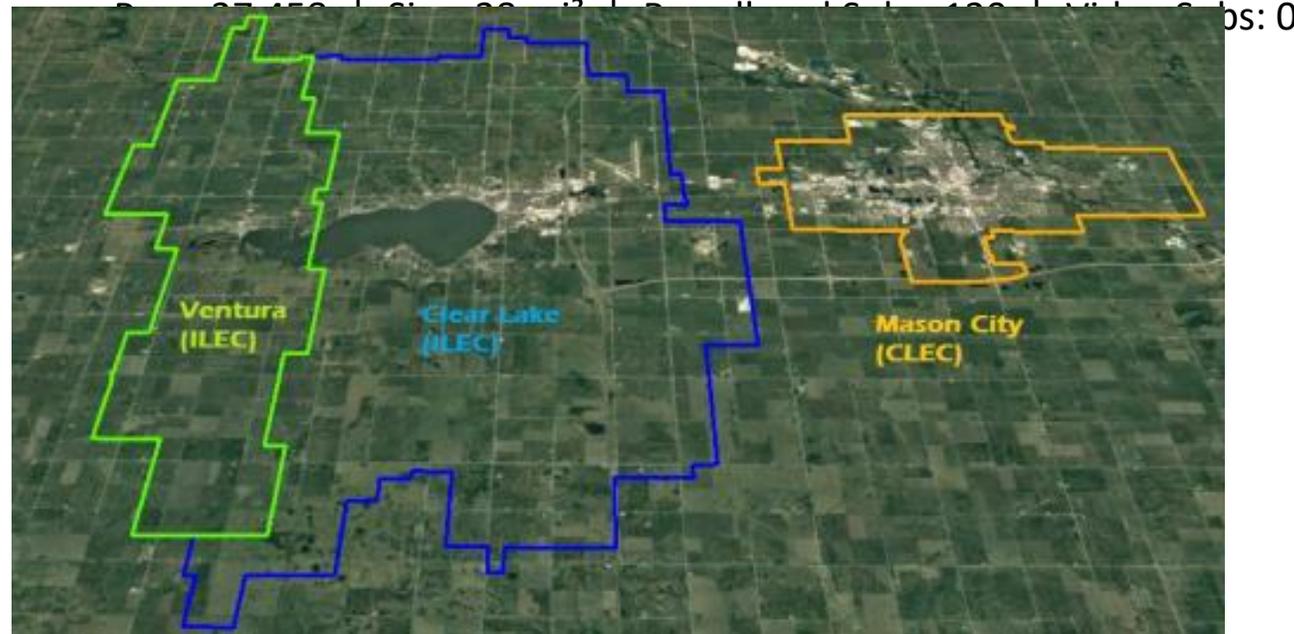
## Clear Lake (ILEC residential & business)

Pop.: 7,682 | Size: 100 mi<sup>2</sup> | Broadband Subs: 3,300 | Video Subs: 2,400

## Ventura (ILEC residential & business)

Pop.: 721 | Size: 42 mi<sup>2</sup> | Broadband Subs: 290 | Video Subs: 200

## Mason City (CLEC business only)



# Awards and Accreditations



# Video: How Did We Get Here?

- First offered video in 2002 via Next Level
  - Excellent service quality
- Moved to Minerva, Calix, and Entone in 2008
  - HE provider no longer providing both ATM and IP feed
- Service quality seriously degraded
  - Extremely poor service for 6-12 months
  - Could not justify raising rates; got behind “8-ball”
- Moved to Innovative APMAX and Amino STBs in 2011
  - Excellent service quality
  
- BUT...



# Costs Keep Rising – But Margins Don't

- Content
  - Anyone received a rate *reduction* recently?
  - “All You Can Eat” channel lineup was killing us
- CapEx
  - STBs are not cheap and depreciate quickly
  - Misc. hardware adds up
    - IR Eyes
    - MoCAs
    - Remotes
- OpEx
  - 40%+ of all trouble calls are related only to video
    - Hardware failure
    - Wrong input



# A Change Had To Be Made

- Finally able to offer video tiers in late 2015
  - Created three tiers
    - Basic
    - Enhanced
    - Ultimate
  - Restructured STB pricing
- \$10 - \$20 rate increase for most (depending on how many STBs)
- Began fully passing on rate increases from programmers
- Two more rate increases
  - \$6 in 2017
  - \$8 in 2018
    - Local Broadcast Station Fee
- Still lose money on every sub, but it's much better than where it was

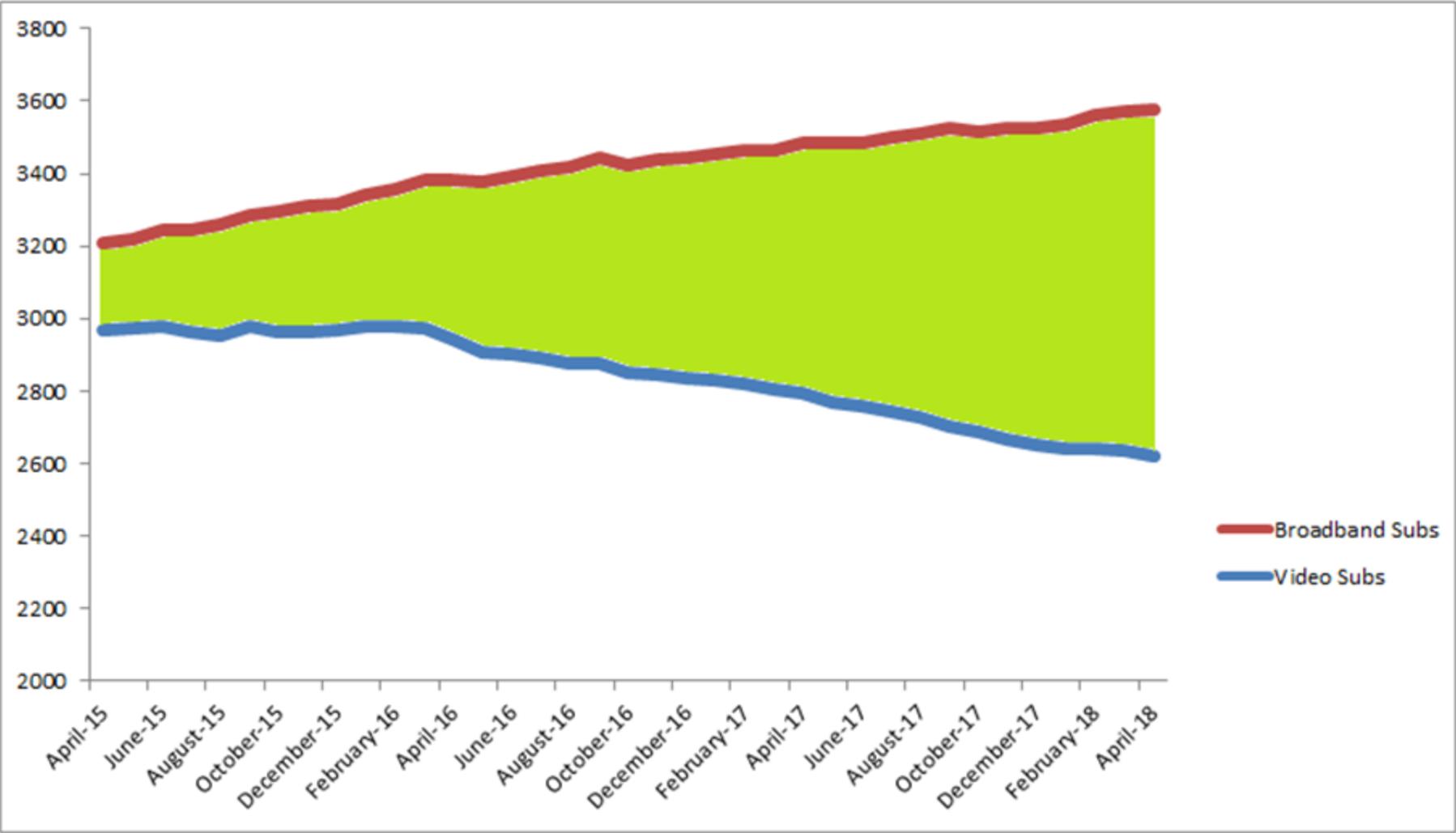


# “But What If They Drop Our Broadband, Too?”

- Fear of reaching the “tipping point”
  - Losing more video revenue than margin savings
  - Customers dropping broadband, too
- In last three years, average bill increased by \$30+ per month
- Profitability only *improves!*
  - Video penetration ↓
  - Broadband penetration ↑



# Broadband & Video Subscriber Count



# Video Getting Better, But Still Not Great

- Moving in the right direction
  - Margins still in the red
  - > (\$10)/sub./mo.
    - Over 40% of troubles are related to video ONLY
- It's hard to keep just raising the rates without offering a solution



# A Shift of Perspective

- **STOPPED**

- Tip toeing around discussions of video cost with customers
- Throwing up our hands and apologizing
- Trying to hold onto video penetration

- **STARTED**

- Being as transparent as possible
- Offering alternatives
- Being “video agnostic”
  - We just want to sell you our broadband.
  - We’ll help you find the best video solution for *you*.



# Video Agnosticism: How-To

- Training
  - CSRs and Technicians
    - Streaming devices
      - Roku, Apple TV, Amazon Fire TV, Chromecast, Air TV
    - Streaming services
      - Hulu, Netflix, DirecTV Now, Sling TV, PS Vue, Fubo TV, Skitter Slice
- Messaging
  - We understand, and we agree.
  - We want what's best for you – we want you to be happy.
  - Here are other options that could work.
  - By the way, would you like to 2x your Internet speed free for 3 months while you figure it out?
- Action
  - Bill Insert
  - Experience Zone
  - Spreadsheet Tool



## Why a Cable TV Bill Increases

It's almost exclusively due to rapidly climbing fees from TV networks.

For example, many TV Service Providers have seen over a **1,000% (!) increase in broadcast network fees** for ABC, CBS, NBC and FOX in the last 10 years.

TV Service Providers work on your behalf, but it's not possible to absorb such high fees, so according to the FCC rates for U.S. consumers have increased over 200% since 1995.



### Cable TV is made up of several entities.

# 90%

of the costs are controlled by seven media companies.

power, often requiring TV Service Providers to carry many or all of their channels. Because the Networks aren't based where we live, work, and play, it's hard to realize that they are the ones driving much of the high cable TV costs.

Recently, some TV Service Providers have seen demands for Fox News and Fox Sports increasing over 40% in a single negotiating period. That's over 20 times the rate of inflation!



## See what we're doing to keep TV affordable ----->

#### Content Creators National Programmers Local Broadcasters

They create the TV shows and charge TV Service Providers for them. Networks like Disney/ESPN, Discovery, Turner, Viacom, ABC, CBS have immense negotiation



#### TV Service Providers

They use their physical infrastructure (fiber, coax, or satellite) to deliver TV signal to your home or office.

TV Service Providers receive their signal from the national programmers and then send the signal to you and your neighbors' homes. TV Service Providers must count and pay for each subscriber who can access channels.

Much of the monthly costs are paid back to the national programmers, and local broadcast stations charge for access to their stations, too. What's left over doesn't even cover local operating costs such as labor, equipment, vehicles, etc.

While TV Service Providers work tirelessly to negotiate better options, the national programmers and local broadcast stations continue to force all customers to pay for as many channels as possible.

## What We are Doing to Keep Your TV Affordable



#### Negotiating as a group -

we're members of the National Cable TV Cooperative - we partner with many rural TV Service Providers to get better pricing.

**Advocacy** - we continue to work with regulators to educate them on the harm that these contracts do to rural America.

**Education** - we also work to educate consumers about these issues - visit [www.TVonMySide.com](http://www.TVonMySide.com).

[TVonmyside.com](http://www.TVonMySide.com)

### Let us help you find cost-effective alternatives.

At CL Tel, we want our customers to have access to the TV programming they want - whether they receive that programming from us or from another source. Stop in and let us help you find the best solution for your needs.

**Streaming** - try a 'streaming' TV service. Netflix, Hulu, SlingTV, DirecTV Now, and others offer great content for a low monthly fee. All you need is a High-Speed in-home Internet connection, a streaming media player like a Roku or Smart TV, and a service subscription. Ask us about our Internet speed upgrade promotion to maximize your streaming experience.

**Good old fashioned antenna** - if you're just interested in the locals, this tried and true technology can be a great fit. Plus, it's free other than the initial cost of the antenna.

**Check out the Experience Zone** - stop into the CL Tel office to experience these alternatives first-hand. We want to help you find what's best for you.



## What You Can Do to Help

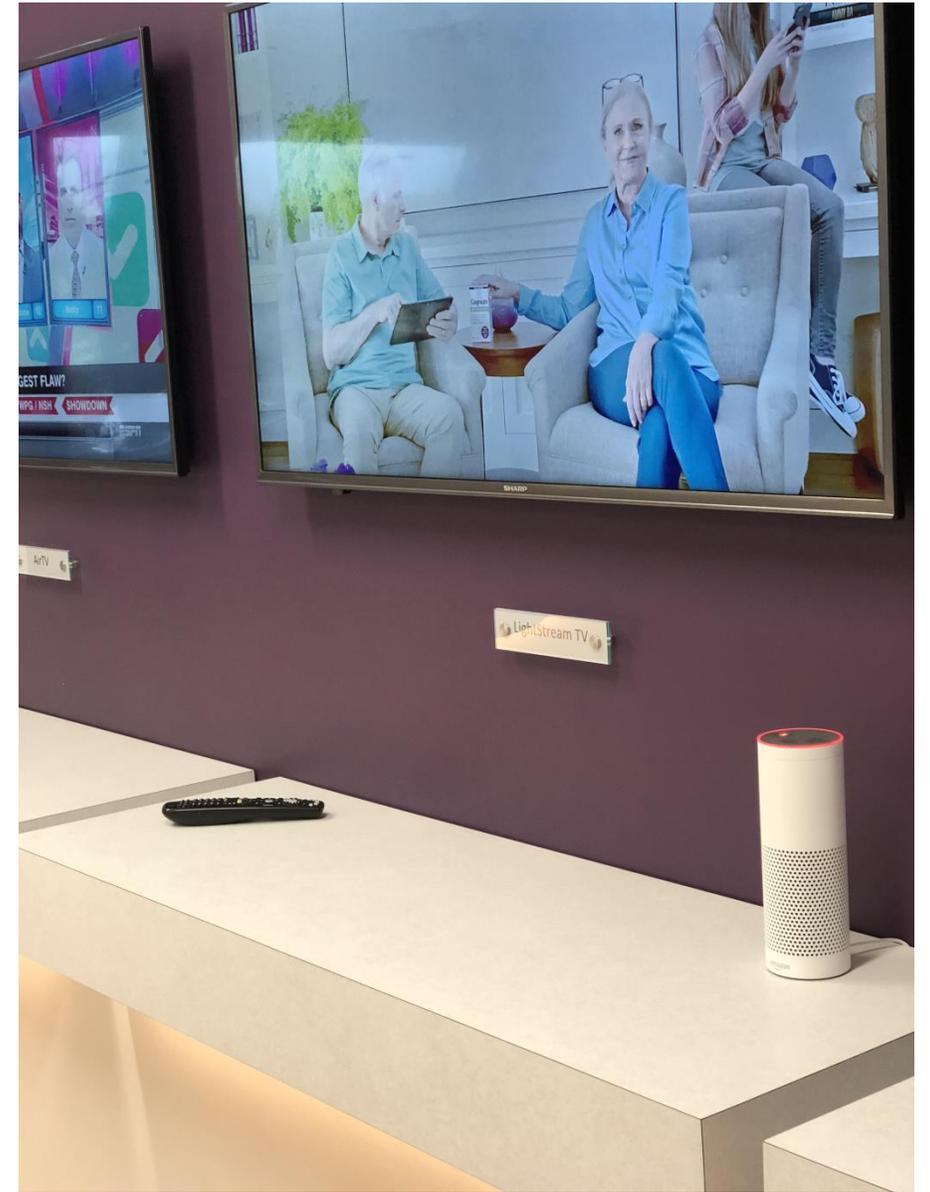
### Be Heard & Stand by Your Provider

Stay informed and stand by your provider. If your cable provider removes a network from your lineup, switching to another provider only strengthens the content creators' power to negotiate. Contact your legislators and tell them you're tired of skyrocketing TV prices.



# Experience Zone





### Preferred Channels

Name:
CBS (KIMT), ABC (KAAL)
CSN Chicaco
CSN Plus
FS Midwest
FS Midwest Plus
FS North
FS North Plus
FS Wisconsin
Music Choice
A Wealth of Entertainment
A&E
ABC - On Demand
ACC Network Extra
Alto
AMC
American Heroes
Animal Planet
Audience
AXS TV
AYM TV
Baby First
Baby TV
BBC America
BBC World News
BeIN Sports
BeIN Sports 2
BeIN Sports 3
BeIN Sports 4
BeIN Sports 5
BeIN Sports 6
BeIN Sports 7
BeIN Sports 8
BeIN Sports 9
BeIN Sports 10
BET
Bloomberg TV
Boomerang
Bravo
BTN
C-SPAN
C-SPAN2
Campus Insiders
Cars TV
Cartoon Network
CB TV Michoacan
CBS (On Demand)
CBSN
CBS Sports Network
Centric
CGTN
Cheddar

Chelsea TV
Chiller
CL Tel Lake View Cam
CL Tel Local Weather
CL Tel Outdoor Cam
CMT
CNBC
CNBC World
CNN
CNN International
Comedy Central
Comedy TV
Cooking Channel
Cowboy Channel
Create
CW
Decades
Destination America
Discovery
Discovery Family Channel
Discovery Life
Disney Channel
Disney Junior
Disney XD
DIY Network
Duck TV
E!
E! Rey
Eleven Sports
Epix Drive-In
Epix Hits
ES TV
ESPN
ESPN Bases Loaded
ESPN Deportes
ESPN Goal Line
ESPN2
ESPN3
ESPNEWS
ESPNU
Esquire
Euronews
Fandor
Fight Network
Flama
FM
FNTSY Sports Network
Food Network
Football Report TV
FOX - On Demand
FOX Business Network
FOX College Sports Atlantic

FOX College Sports Central
FOX College Sports Pacific
FOX Deportes
FOX News Channel
FOX Soccer Plus
FOX Sports 1
FOX Sports 2
France 24
Freeform
Fubo TV Network
Fuse
Fusion
FX
FX Movie Channel
FXN
fyi
Galavision
Game eSports TV
God TV
GOL TV English
GOL TV Spanish
Golf Channel
GSN
Hallmark Channel
Hallmark Drama
Hallmark Movies and Mysteries
HBO
HD Net Movies
HGTV
History
Hi-Yah!
HLN
IFC
Impact
Investigation Discovery
Iowa Public Television
IPTV Leans
IPTV World
Juce TV
Justice Central
KAAL (ABC)
KIMT (CBS)
KIMT My 3.2
KIMT 3.3
KSMQ (PBS)
KTTG (NBC)
KTTG (CW)
KOXL (FOX)
KOXL 47.25
Lifetime
Lifetime Movies
Liquidation Channel

LMN
Local Now
Logo
Machinima
MAV TV Motorsports Network
MGM
MHZ
MLB Network
Motorsport TV
MSNBC
MTV
MTV2
MTV Classic
My Destination TV
Nat Geo Wild
National Geographic Channel
NBA TV
NBC - On Demand
NBC Sports Network
NBC Universo
NDTV 24x7
News 18
News Max
Newsy
NFL Network
NFL RedZone
NHL Network
Nick Jr.
Nickelodeon/Nick at Nite
Nicktoons
Olympic Channel
Once TV
One American News
One World Sports
Outdoor Channel
Outside TV
OWN
Oxygen
PAC 12 Network
PAC 12 Network Arizona
PAC 12 Network Bay Area
PAC 12 Network Los Angeles
PAC 12 Network Mountain
PAC 12 Network Oregon
PAC 12 Network Washington
Parables
Pets TV
Pivot
Pod
Polaris by Maker
POP
QVC
Rapture
Recipe TV
Reelz

Revolt
RFD-TV
Ride TV
RT
Science
SEC Network
SEC Network Plus
Showtime
Sling Kids
Smithsonian Channel
Sonlife Network
Sony
Spike
Sportsman Channel
Sprout
Stadium
STARZ ENCORE Action
STARZ ENCORE Black
STARZ ENCORE Classic
STARZ ENCORE East
STARZ ENCORE Family
STARZ ENCORE Suspense
STARZ ENCORE West
STARZ ENCORE Westerns
SundanceTV
Syfy
TBN
TBS
TCM
TeenNick
Telemoro Internacional
Telemundo
Tennis Channel
The Blaze
The Church Channel
TLC
TNT
TPT
Travel Channel
Tribeca Shortlist
TruTV
Turner Classic Movies
TV Land
TVG
TV One
TyC Sports
UniMas
Universal
Universal Kids
Universo
Univision
Univision Deportes Network
USA Network
Velocity
VH1

Vibrant TV Network
Violeand
WE tv
Wealth TV
Weather Channel
WeatherNation
World Fishing Network
Z Living

*(name)*

**hulu**

**DIRECTV  
NOW**

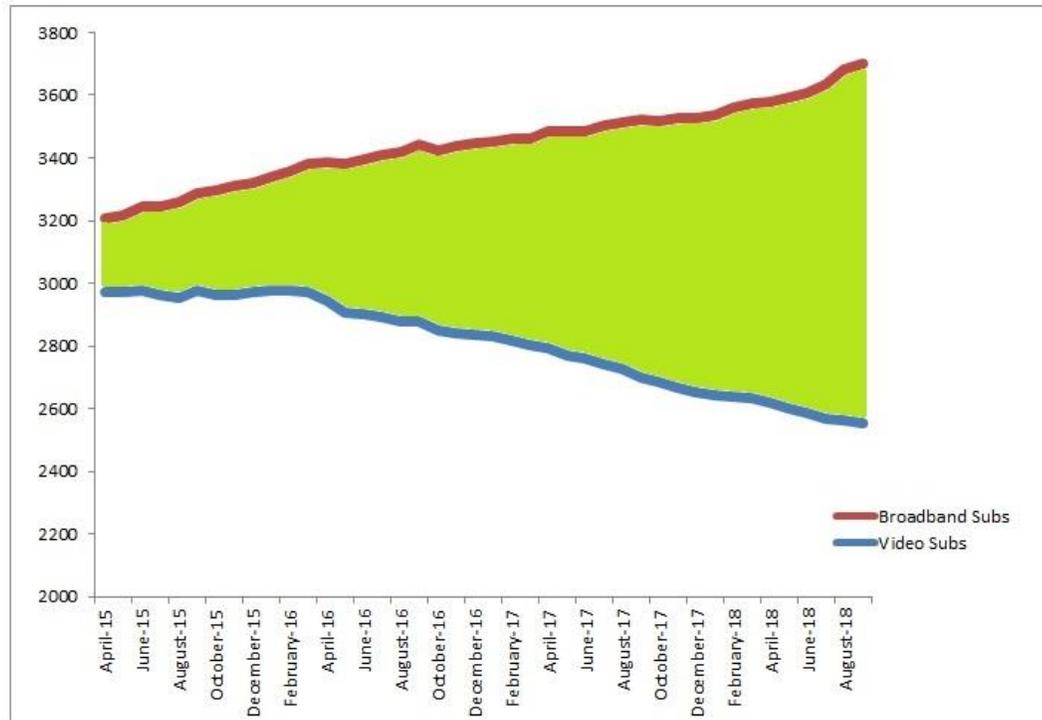
Desired		Hulu with Live TV	Live a Little	Just Right	Go Big	Gotta Have
✓	Price	\$39.99/mo	\$35/mo	\$50/mo	\$60/mo	\$70/mo
✓	Channels	60+	60+ channels	80+ channels	100+ channels	120+ channels
	Local live channels	CBS (KIMT), ABC (KAAL)				
	Regional Sports Networks	CSN Chicaco		CSN Chicago	CSN Chicago	CSN Chicago
		CSN Plus				
		FS Midwest				
		FS Midwest Plus				
		FS North		FS North	FS North	FS North
		FS North Plus				
				FS Wisconsin	FS Wisconsin	FS Wisconsin
	Music Channels					
	A Wealth of Entertainment			x	x	x
	A&E	x	x	x	x	x
	ABC - On Demand	x	x	x	x	x
	ACC Network Extra					
	Afro					
	AMC		x	x	x	x
	American Heroes				x	x
	Animal Planet		x	x	x	x
	Audience		x	x	x	x
	AXS TV		x	x	x	x
	AYM TV					
	Baby First		x	x	x	x
	Baby TV					
	BBC America		x	x	x	x
	BBC World News				x	x



# Recap



hulu NETFLIX  
sling DIRECTV NOW



# The Future – Exit STB “Business”

- We believe all video will be delivered by OTT within next 10 years
- Could be a way to bridge that gap – and even make a margin
- App-based TV
  - Dramatically reduce costs
    - STBs
    - Wrong Input
    - Remote failure
  - Great features
    - Voice navigation
    - Rich User Interface (UI)
    - Content aggregated in one place
  - Simple, hands-off revenue
    - Download app from store
    - Add service to monthly CL Tel bill



**Tom Lovell**

General Manager

[tomlovell@cltel.com](mailto:tomlovell@cltel.com)

641-357-2111





# **How Did They Do That?**

**The story of a rural provider  
who dropped video**

# Points of Discussion

- **A Little About Valley**
  - **Deciding to Discontinue Video Service**
  - **Process of Making It Happen**
  - **Results on the Other Side**
-

# A Little About Valley



May 3, 1962

Valley Telephone Cooperative  
is incorporated



1995

Purchased four exchanges,  
became Copper Valley  
Telephone



2000

Combined all companies  
under one umbrella, new logo  
Valley TeleCom Group



2007

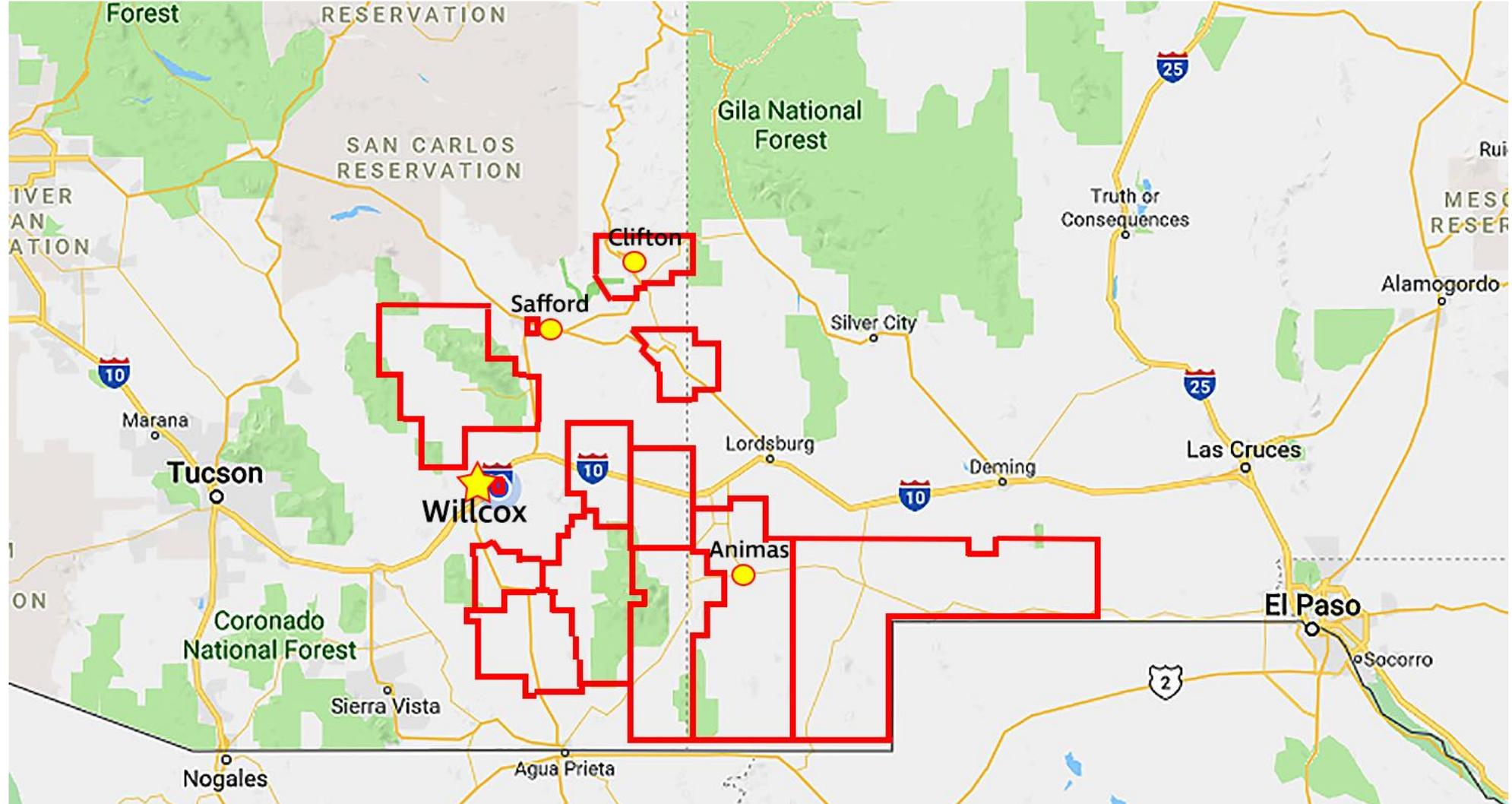
Built fiber network  
in two CLECs:  
Safford and Willcox, AZ



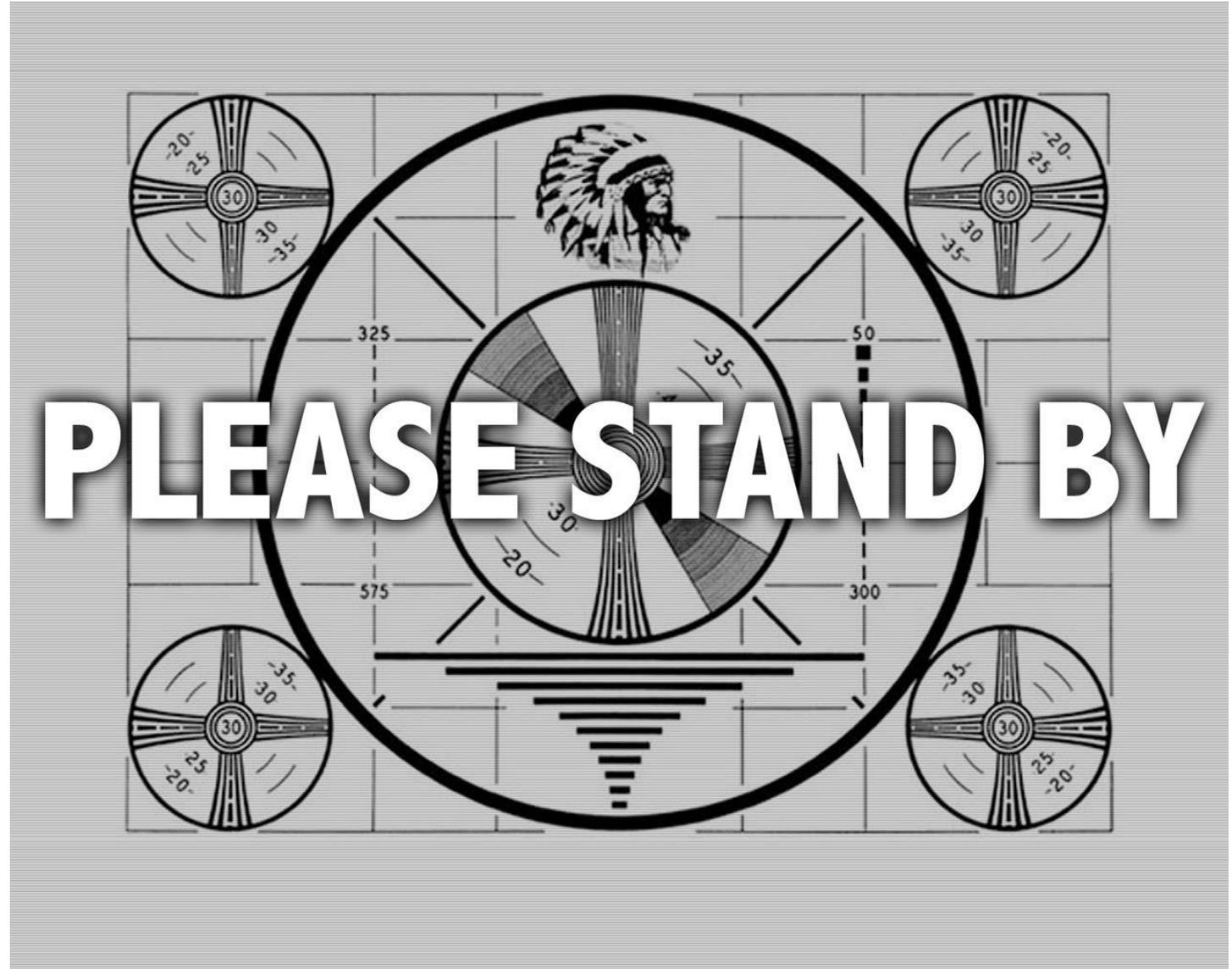
# By The Numbers

- **4 offices**

- Animas, NM
- Clifton, AZ
- Safford, AZ
- Willcox, AZ (Headquarters)



# Deciding to Drop Video



# The Beginning of the End

- **2014 – Viacom negotiations start**
  - Working with a consortium to get best competitive rate
  - 14 channels with Viacom
  - Updates through social media, eblasts, community events, tvonmyside.com
- **Decision made to drop the Viacom channels**
  - March 2014 – Sent letter to TV customers
  - 4/30/14 – Dropped Viacom channels
- **8.2% churn rate of TV customers**
  - Anticipated much higher rate of churn (60 day period)
  - Higher rate of increase in Internet customers



# 2017 Video Decision: VTG vs TV

- **More TV Channel contracts to be negotiated prior EOY**
    - 3 Local channel DMAs
      - Phoenix, AZ
      - Tucson, AZ
      - Albuquerque, NM
    - Fox Sports AZ (MLB, NBA, NHL)
  - **Other Cost Considerations**
    - Servers/Receivers at EOL
    - Channel delivery conversion to fiber backbone
    - Numerous upgrades needed to provide advanced features
-

# Customer Communication

- **3 letters mailed to TV customers**
- **Community events**
- **Customer Education**
- **Partnered with DirecTV**
  - Transitioned current TV customers only



# Customer Letter #1

## 8/25/17



PRESORTED  
FIRST-CLASS  
US POSTAGE  
PAID  
TUCSON, AZ  
PERMIT # 541

1 71 P1 \*\*\*\*\*AUTO\*\*ALL FOR AADC 852  
CLARK KENT  
1234 N DAILY BUGLE AVE  
WILLCOX AZ 85643-2305  
|||

**IMPORTANT INFORMATION ABOUT YOUR VALLEY TV SERVICE**



Valley Telephone Cooperative | Copper Valley Telephone | Valley Connections  
Telephone | Internet | Business Solutions

Dear Valley TeleCom Group Customer:

In 2006, Valley TeleCom Group began offering digital television services. We made this investment to provide a value-added service to our existing network and give customers the option of getting all of their voice, video, and data services from a single provider.

Over the last several years, there have been significant changes in the television markets. As we have discussed with you in the past, each year the costs that we have to pay to the television networks has continued to increase. As a small provider, we simply do not have the bargaining power that the larger providers have to receive programming at reasonable rates. This makes it difficult to provide the high-quality video service that our customers deserve, and also makes it difficult to keep making investments in the rapidly-advancing technology required to remain competitive.

As a result of these challenges, and after much analysis and discussion, Valley TeleCom Group will be discontinuing our video service effective November 1, 2017.

In order to assist our customers with the transition, we are excited to announce that we have entered into an agreement to become an AT&T Preferred Dealer. Under this agreement, we will be able to sign customers up for one of the great DIRECTV programming packages available. We are in the process of training our staff and expect to be ready to take applications for DIRECTV service on September 5, 2017. We are excited to assist you in your transition to DIRECTV, while continuing to enjoy Valley as your local high-speed internet and telephone service provider. Our staff has been authorized to give all customers who sign up for DIRECTV through Valley a bill credit.

Please contact us at 1-800-421-5711 to begin the transition of your television service and, as always, we appreciate your patronage.

Sincerely,

Steven D. Metts  
CEO/General Manager

752 E. Maley St. | Willcox, AZ 85643 | (800) 421-5711 | [www.vtc.net](http://www.vtc.net)

# Customer Letter #2

## 9/21/17



PRESORTED  
FIRST-CLASS  
US POSTAGE  
PAID  
TUCSON, AZ  
PERMIT # 541

I TI P1 \*\*\*\*\*AUTO\*\*ALL FOR AADC 852  
PETER PARKER  
54321 S DAILY PLANET DR  
SAFFORD AZ 85546  
|||

### IMPORTANT INFORMATION ABOUT YOUR VALLEY TV SERVICE



Valley Telephone Cooperative | Copper Valley Telephone | Valley Connections  
Telephone | Internet | Business Solutions

### Important Changes Regarding Your Television Service – Please Read

Dear Valley TeleCom Group Television Customer:

In 2006, Valley TeleCom Group began offering digital television services. We made this investment to provide a value-added service to our existing network and give customers the option of getting all of their voice, video, and data services from a single provider.

Over the last several years, there have been significant changes in the television markets. As we have discussed with you in the past, each year the costs that we have to pay to the television networks has continued to increase. As a small provider, we simply do not have the bargaining power that the larger providers have to receive programming at reasonable rates. This makes it difficult to provide the high-quality video service that our customers deserve, and also makes it difficult to keep making investments in the rapidly-advancing technology required to remain competitive.

As a result of these challenges, and after much analysis and discussion, Valley TeleCom Group will be discontinuing our video service effective November 1, 2017.

In order to assist our customers with the transition, we are excited to announce that we have entered into an agreement to become an AT&T Preferred Dealer. Under this agreement, we will be able to sign customers up for one of the great DIRECTV programming packages available. Our staff is offering this service to our Valley video customers to help make the transition to another television provider a little easier. As an added incentive, we will give you a \$25 credit on your final television bill if you choose to sign up for DIRECTV through one of Valley's trained Customer Service Representatives.

We remain committed to providing unlimited high-speed Internet and local phone service and are excited to continue bringing these quality services to our area for years to come. Please contact us at 1-800-421-5711 to begin the transition of your television service and, as always, we appreciate your patronage.

Sincerely,

Steven D. Metts  
CEO/General Manager

752 E. Maley St. | Willcox, AZ 85643 | (800) 421-5711 | [www.vtc.net](http://www.vtc.net)

# Customer Letter #3

## 10/16/17



FIRST-CLASS  
US POSTAGE  
PAID  
TUCSON, AZ  
PERMIT #541

1 T1 P1 \*\*\*\*\*SNGLP  
MICKEY MOUSE  
1928 MAIN ST  
ANIMAS NM 88020



**Your Television Service is Going Away November 1st - Please Read**



Valley Telephone Cooperative | Copper Valley Telephone | Valley Connections  
Telephone | Internet | Business Solutions

**Your Television Service is Going Away November 1st- Please Read**

Dear Valley TeleCom Group Television Customer:

In 2006, Valley TeleCom Group began offering digital television services in addition to our high-speed Internet and local phone services. We made this investment to provide a value-added service to our existing network and give customers the option of getting all of their voice, video and data options from a single provider.

Over the last several years, there have been significant changes in the television markets. Each year the costs that we have to pay to the television networks have continued to increase. As a small provider, we simply do not have the bargaining power that the larger providers have to receive programming at reasonable rates. This makes it difficult to provide the high-quality video service that our customers deserve, and also makes it difficult to keep making investments in the rapidly-advancing technology required to remain competitive.

As a result of these challenges, and after much analysis and discussion, Valley TeleCom Group will be turning off our video service effective November 1, 2017.

In order to assist our customers with their TV transition, we are excited to announce that we have entered into an agreement to become an AT&T Preferred Dealer. Under this agreement, we will be able to transition our TV customers to one of the great DIRECTV programming packages available. Our staff is offering this service to our Valley video customers to help make the transition to another television provider a little easier. As an added incentive, we will give you a \$25 credit on your final television bill if you choose to sign up for DIRECTV through one of Valley's trained Customer Service Representatives.

Valley TeleCom will continue to be the leading high-speed Internet and local phone company in your area for years to come; this change only affects your TV service. Please contact us before November 1<sup>st</sup> at 1-800-421- 5711 to avoid an interruption in your video service so we can help transition you to a different television provider. As always, we thank you for your patronage.

Sincerely,

Steven D. Metts  
CEO/General Manager

752 E. Maley St. | Willcox, AZ 85643 | (800) 421-5711 | [www.vtc.net](http://www.vtc.net)

# Immediate Impact

- **5/17 – 5/18 – 5%+ net increase Internet customers**
  - **DSL TV customers could get faster Internet speeds**
  - **16.5% residential TV customers transitioned to DirecTV**
  - **17.9% business TV customers transitioned to DirecTV**
-

# Other Opportunities

- **Created naked DSL packages**
  - **Revamped Internet speeds & pricing**
  - **Creating plan to expand Internet coverage**
  - **Replacing copper with fiber in many ILEC areas**
-

# Key Takeaways

- **The first step is the hardest**
  - **Customer communication is key**
  - **Have an alternative solution if possible**
  - **Be on the lookout for other opportunities**
-

A solid red vertical bar is positioned on the left side of the slide, extending from the top to the bottom.

**Questions?**



*Bob Dahlstrom*

*Marketing Representative*

*Direct Line: (520) 384-8962*

*Mobile: (520) 507-0234*

*Email: bob.dahlstrom@vtc.net*



800.421.5711 | vtc.net |



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## Video Conference Sponsors:

