



**THE
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The Carmel Group Presentation: Satellite vs. Cable: How Does A Consumer Decide?

For consumers facing the question of Which Multichannel Provider Do I Chose, Cable or Satellite?, answering the two sets of questions below will quickly take most purchasers to their final selection. The first question set asks, Will I Take Cable or Satellite? If that is decided in favor of satellite, then the next question set becomes, Do I Take *DISH Network* or *DirectTV*?

BASIC CONSUMER QUESTIONS

- **SATELLITE vs. CABLE and DIRECTV vs. DISH NETWORK**

A. FIRST CHOICE/FIRST QUESTION SET: SATELLITE vs. CABLE?

- Where do you live?
 - Apartment? Or a single-family/duplex home?
(To receive a direct signal from the satellite, a clear line of sight from a dish antenna to the southern sky is required.)
- What is offered by cable in your area?
(Is the cable provider in your neighborhood offering analog-only, true digital, or a hybrid analog/digital service?)
- What's offered in what programming packages?
(Cable packages range from neighborhood to neighborhood, whereas satellite packages are the same across the nation. "Digital cable" typically offers as many total video and audio channels as satellite, yet at a slightly more expensive price per channel. Savvy viewers need to think ahead about what channels or types of programming they want to see, and chose packages accordingly.)
- How much up-front can you spend?
(Leasing vs. cash up-front vs. normal "free" offers are typically provided by the satellite providers. The cable operators typically offer a "lease" model whereby consumers pay a small percentage of their monthly bills to "lease" the set top box. These need to be investigated and compared.)

- **Want interactive-type features?**
(Not much interactivity is available at this stage from cable providers, except for electronic programming guides (EPGs). Satellite offers EPGs and a new line of services from *DISH Network* and *DirectTV*. *DirectTV* offers Microsoft's *Ultimate TV*, TiVo, *DirectTV w/ TiVo* and, planned for late in 2001, AOLTV. *DISH Network* today offers its 501 series set-top box, with free basic personal video recorder functionality. This will be supplemented later this year by *DISH Network's* 721 series. These interactive TV services offer personal video recorders – which pause, record and rewind live broadcasts -- plus enhanced broadcasting and Internet connectivity.)
- **Want an always-on 2-way Internet connection?**
(This is one area where the true advantage goes to cable. 2-way satellite offerings do exist, however, at soonest, satellite is still several years away from a price, speed and quality that readily competes with cable's.)
- **Want HDTV?**
(Cable still is facing problems delivering HDTV. Both *DISH Network* and *DirectTV* offer some HDTV programming.)
- **Want bundled packages?**
(Again, advantage cable. Some larger cable systems offer telephone, Internet and video services all bundled together. Satellite does not.)
- **How many TVs will be served?**
(Cable's almost nationwide "lease" model allows the maximum number of set-top boxes to be served at the lowest cost-per-set compared to satellite operators. Nonetheless, satellite is catching up here, and new "additional box" plans are frequently being offered to the consumer.)

B. SECOND CHOICE/SECOND QUESTION SET
DISH NETWORK vs. DIRECTV?

- **What's offered by what programming packages?**
(For years, *DirectTV* had the clear lead in the number of channels and number of specific types of programming specialties. That is changing. *DISH Network* today offers almost as many channels overall, and almost as many specialty sports and movie offerings.)
- **What are the pricing plans?**
(Hardware discounts used to favor *DISH Network*, however, that too has changed and *DirectTV's* purchase packages are today quite competitive with *DISH Network's*. Wise consumers need to ask, How Much, How (and When?) Am I Paying For The Hardware, i.e., is it cash up-front, a lease model, or a so-called "free" model, where payments are back ended?)
- **What's your programming preference?**
 - Sports?

(DirecTV has several season-long pro sports packages, including the greatly popular *NFL Sunday Ticket*, that are not offered by *DISH Network*. Otherwise, the sports offerings are similar, focusing on multiregional collegiate sports packages, mostly from Fox. Again, consumers should focus on what they want to watch and what is typically offered by which packages, and for what prices.)

- **Movies?**

(Both *DISH Network* and *DirecTV* offer the same number of premium movie channels, such as Starz Encore, Showtime and HBO. Prices may differ slightly, depending upon the package. The real difference here is in the number of Pay-Per-View (PPV) movie channels offered, where *DirecTV* has an advantage for the time being, with up to 55 PPV choices/day.)

- **Adult?**

(*DISH Network*, with 6 total “adult” channels, has the advantage here. *DirecTV* offers 5 “adult” channels.)

- **International?**

(*DISH Network* has cornered the market here, offering today approximately 30 foreign language/culture channels. *DirecTV* offers 10, most of which focus on the Spanish language audience.)

- **General Interest?**

(*DISH Network*’s packages are amply described as offering good, “general interest” programming. Yet *DirecTV* also provides just about every channel *DISH Network* does, albeit sometime in different packages and for different prices. Consumers need to decide what they can spend, what they want to watch, and which packages offer the best value based upon those criteria.)

- **What’s your monthly budget?**

(By our estimates, cable companies today are bringing in about \$45 per subscriber per month for programming delivered to their consumers nationwide. Satellite providers are claiming \$55 on average per subscriber per month. Thus, people tend to spend a lot on a core video and audio service. The point here is to pick a package that not only meets most of your needs, but also passes within your budget. Somewhere within the mix of packages offered by *DirecTV* and *DISH Network*, most consumers who can get the service will find one that satisfies their needs.)

The information above was provided by The Carmel Group, a Carmel-by-the-Sea, CA-based consultancy and research organization, specializing in telecommunications, computers and the media (Website: www.carmelgroup.com; telephone: (831) 643 2222). Typical products of The Carmel Group include business reports and “white papers,” as well as investor conferences, newsletters and databooks.

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