**1) Why did HBO and CBS introduce OTT services?**

As quoted by the chairman and CEO of HBO in 2015, in the paper, HBO introduced OTT services with the intent to set a foundation for the company's future to diversify and provide more options for distributing their media content. There was a high and growing rate of consumers subscribing to OTT or streaming services with the highest penetration rates in the 18 to 34 year old demographics. This range of demographics usually own some form of a smart device, media-streaming players (e.g. Chromecast, etc.), or game consoles that enable OTT services. As a result, there was growing interest among consumers and a shift in consumer preferences towards on-demand streaming content and users who preferred to watch content online or through their smart devices. This garnered the popularization of cord-cutting as more and more consumers, especially in this demographic range, terminated their cable network subscriptions and subscribed to some form of streaming services. Common reasons for this switch included convenience, lack of commercials/ads, lower pricings compared to cable network subscriptions, and the increasing popularity of binge watching.

Internet service providers (ISPs) also offered better internet speeds and performance over time that complemented the emergence of OTT services. The increase in the availability of internet offerings encouraged more consumers to onboard with various ISPs. For those switching over from cable network subscriptions to streaming services, ISP offerings allowed for a more seamless streaming experience for OTT services. Because of the capabilities that ISPs offered, it made sense for companies to roll-out streaming services so that they can partner with ISPs to deliver bundled services to consumers. HBO or CBS can now package their streaming services with high-speed internet plans which can create an attractive and discounted bundle for subscribers.

OTT services also enabled HBO and CBS to adopt a more direct-to-consumer model. HBO and CBS can distribute their content without relying on third-party cable or satellite providers. Having a streaming platform of subscription offering also allowed their services to reach a global audience. This also allowed them to compete with rising streaming giants like Netflix or Hulu.

**2) Why do cable and satellite TV companies typically sell television channels in packages?**

Cable and satellite TV companies sell t.v. channels in packages so they can structure subscription models with varying offerings and pricing. This allows the companies to exploit economies of aggregation meaning they can offer channel packages to target different tiers of consumers ranging from basic service consumers to deluxe full digital consumers. Since the incumbent companies offer a range of

products that meet the needs for a diverse set of consumers, these companies gain a competitive advantage over any specialist providers that may enter the market with superior technology. If a new competitor desires to enter the market, they must offer a product that meets the switching costs of consumers, oftentimes superior technology is not a sufficient reason for a consumer to switch their cable provider when the overall offering is comparable. As a result of packaging t.v. channels, these companies can place popular and less popular channels together thereby maximizing the value of their offerings while appealing to a diverse audience. Put another way, providers offer multiple channels, so they may package all of those channels together resulting in consumers purchasing a whole set of channels even when consumers are usually only seeking a specific channel/cable network station.

Additionally, cable and satellite TV companies negotiate with content creators like ABC, NBC and Fox to distribute content over cable and satellite. By selling television channels in packages, providers may utilize package placement as a negotiating lever. For example, they can offer NBC placement in a package with deluxe content in exchange for favorable retransmission terms. Lastly, selling t.v. channels in packages allows these companies to take advantage of economies of scale. Purchasing a wide array of content and distributing to consumers is expensive. Offering packages allows companies to consolidate channels and manage packages as a unit rather than having to manage costs for individual channels. This approach may be a benefit to consumers as well because pricing for offering multiple channels in a subscription model may be cheaper than consumers purchasing channels individually. Overall, selling packages reduces the inefficiencies of uniform pricing and deadweight loss because it enables cable and satellite tv companies to target more consumer preferences.

**3) How should Comcast respond to the announcements of HBO and CBS?**

Comcast could explore various strategic avenues to mitigate the challenges brought about by the announcements from HBO and CBS about their independent streaming services. These strategies are designed to help Comcast effectively maneuver through the rapidly shifting media landscape characterized by a transition towards on-demand and streaming services.

Investing in Content and Technology:

a) *Enhancement of Content Library*: Comcast could focus on enriching its content library by incorporating a broader spectrum of unique and exclusive content. This could entail the creation of original series and films like Netflix or securing exclusive rights to sought-after content. Offering distinctive content not available on other platforms could set Comcast apart in a saturated market.

b) *Advancement in Streaming Technology*: A pivotal investment for Comcast should be in cutting-edge streaming technology. Key improvements should focus on the user interface, ensuring seamless, high-quality streaming, and integrating advanced features such as 4K streaming, HDR content, and immersive audio. Such enhancements not only elevate the user experience but also establish Comcast as a forward-thinking player in the tech arena.

Partnerships and Collaborations:

a) *Collaborations in Content*: Forming alliances with renowned content creators, production houses, and other networks could expand Comcast's content offerings significantly. This should also encompass partnerships aimed at broadcasting sports events, concerts, and other live content, thereby drawing a larger audience.

b) *Technological Partnerships*: Collaborating with tech firms for the deployment of advanced analytics, AI for tailoring recommendations, and cloud services to streamline content delivery could substantially uplift the quality of service and user satisfaction.

Pricing and Packaging Strategies:

a) *Adaptable Pricing Structures*: Uniform pricing doesn’t work well with a diverse customer base. So, introducing versatile pricing structures to accommodate various customer segments could broaden the audience base. This involves providing an array of service levels, from a basic, ad-enabled package to an upscale, ad-free option with extra features.

b) *Personalized Package Options*: Empowering customers to tailor their packages according to their preferences (such as sports, movies, or children's content) could offer a more individualized experience and serve as a competitive edge against the generic offerings of numerous streaming services. Bundling will also help reduce inefficiencies by lowering the deadweight loss and ensuring higher consumer surplus.

In essence, Comcast's strategy in responding to the shifting industry dynamics should be comprehensive, concentrating on enhancing the customer experience through superior content, technology, individualized services, and flexible pricing structures. Embracing innovation and forging strategic partnerships are equally vital to maintaining a competitive stance in the ever-evolving media landscape.