What Does Pick-and-Pay TV Mean for Investors?

Description

Get ready Canada. Pick and pay is finally here.

Effective this month, subscribers of TV services across the country can now opt for smaller, bite-sized channel lineups for (hopefully) a smaller bill. This is something that has been debated in and out of the CRTC for some time, and now that pick and pay is finally here, how will it impact consumers' monthly bills, and what impact will it have on investors of Canada's telecommunications giants?

The CRTC mandated that the providers offer a sub-$25 basic or "starter" package to subscribers and then give options for smaller, à la carte packages that subscribers can tack on to the basic service.

Let's take a look at the main players and what they have done so far.

Rogers

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) displays the new starter package on its website, but prominently highlights the various add-ons and theme packages that will quickly increase the price of the starter package.

Some of those theme packages can cost almost as much as the starter package itself, and adding a few of these packages can quickly inflate a consumer's bill. Rogers also adds various rental and service fees to the monthly bill, so that $25 charge is really closer to $50.

This represents a great opportunity for Rogers's investors. The company has taken a new mandate that was geared to give consumers more choice and lower bills and turned it into a checklist of additional fees and services (disguised as themes). If the consumer is not careful, these packages will make bills larger, not smaller.

Bell (BCE)

BCE Inc. (TSX:BCE)(NYSE:BCE) is providing an interesting take on the new packages by burying the starter packages at the bottom of the web page in an effort to minimize the new options for consumers.

What's worse is that reports from CBC have highlighted that some employees have been advised to focus on the more costly pick-and-pay options over the starter package.

Flipping to the investor side of BCE, these new options represent a potentially lucrative revenue stream for the company. While the monthly revenue might appear to be lower, there is a significant chance that consumers will end up paying more while getting less.

A starter package of sub-$25 is easily inflated to nearly $50 once fees and PVR rental charges are included. This means the new service is nearly priced the same as the $49.95 "Good" package that has 130 channels to choose from.

Shaw

Shaw Communications Inc. (TSX:SJR.B)(NYSE:SJR), not surprisingly, also downplayed the new starter package. Not only did the company put the new option at the bottom of the page, but it priced the lowest tier of the larger, existing packages just under $5 more per month.

But once the fine print is read, it is revealed that the price gets bumped by another $15 for the existing package, bringing it to nearly $50 after three months and, just like its competitors, the new starter package does not include box rental fees, whereas the other options do.

For all three of these companies, little will likely change in terms of revenue. Strangely enough, there is a great chance that consumers could end up paying a little *more* for considerably less, which will please investors and the companies.

Shaw, BCE, and Rogers all remain great investment opportunities, ensuring that investors have a choice in diversifying their portfolios.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. TSX:BCE (BCE Inc.)
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6. TSX:SJR.B (Shaw Communications)

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