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## Intel's TV Problem: Profits Always Flow To The Scarce Resource

It's being reported that Intel is gearing up to enter the TV market. That's almost certainly great for consumers as more competition should lead to better services on offer to said consumers. Even if it doesn't, more different offerings means each consumer can find an offering that better matches their desires. Intel, however, has something of a problem which is that the profits in any activity always flow to whoever it is that controls the scarce resource. And distributing TV programs isn't a scarce resource: having TV programs that are worth distributing is. We'd therefore expect the money, the profits, from Intel's TV adventures to flow to the content providers, not Intel. As seems to be the case in these initial [negotiations](#):

“ Intel Corp's talks to buy content from media companies for its new TV service are advancing, and the chipmaker is offering to pay as much as 75 percent more than traditional cable rates, people familiar with the talks said.

Intel is said to be doing two further things. Firstly, offering smaller bundles (ie, dropping those channels few watch) and also aiming the service as a premium one. Fewer channels for a higher price can certainly be viewed as a premium service of course but they're obviously going to be offering something more exciting than that.

However, this doesn't get around the basic economic problem that they face. We've the traditional cable companies, we've Amazon, Hulu, Apple with whatever they decide to do next, there's satellite alternatives and so on. There are now many more forms of distribution of the TV and movie content. But as we've all noticed, there's still only a limited amount of decent programming to watch (the amount of dreck is still constant in being the majority of what is on offer of course). Increasingly the content itself is becoming the scarce resource, not the distribution of it. Which means therefore that the profits are increasingly going to be flowing to the content owners, not the distribution channels. Which is something of a problem for someone intending to set up a new distribution channel, no?

There's not really any way around this problem either. The more people who enter the distribution game the smaller the total profits altogether that they will make, the more will flow to the production studios. Not that this should worry us consumers: we'll be getting more choice which is always good.

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