

Comcast's \$4.4B Olympian bid a bold online bet

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This is an Aug. 16, 2008, file photo showing Usain Bolt of Jamaica, reacting as he wins the men's 100-meter final, with a world record, at the Beijing 2008 Olympics in Beijing. At first blush, NBC's \$4.4 billion winning bid for the next four Olympic Games _ a billion more than its closest competitor _ was an example of overpaying for an event on which it lost hundreds of millions of dollars. (AP Photo/Anja Niedringhaus, File)

(AP) -- NBC lost more than \$200 million the last time it showed the Winter Olympics, and it's bracing for similar losses in London next year.

So, plenty of people scoffed when the network bid \$4.4 billion - nearly a

billion more than runner-up Fox - for the U.S. rights to carry the four games through 2020.

Yet the price may prove right.

The growth of Internet video and opportunities under NBC's new owner, [Comcast Corp.](#), should help cut losses significantly and perhaps make the Olympics profitable after the London Games. There's also an intangible promotional benefit to NBC.

Consider this: Even at a loss, the Olympics generate huge audiences. About 185 million people saw some of the Olympics in Vancouver last year. The struggling [broadcaster](#) can promote new shows to those viewers as it tries to dig out of fourth place.

NBC didn't pay all that much for the Olympics, considering that TV rights fees for other major sports such as Pac-12 college basketball have been doubling or tripling. For the 2014 and 2016 games, it's paying about the same as it has been. For the final two games in the deal, NBC is paying just 19 percent more.

Morgan Stanley analyst Benjamin Swinburne called NBC's deal an "Olympic win at the right price."

He said NBC should be able to cut its Olympic losses in half after London, as long as viewership doesn't change and advertising rates keep improving.

Beyond that, NBC can create more ad opportunities by tapping sports channels added to the NBCUniversal family when Comcast took control in January. One is the Golf Channel - convenient for Comcast as golf joins the Olympics in 2016. Another is Versus, which Comcast is positioning as a competitor to ESPN, another Olympic bidder.

NBCUniversal will have about 20 channels and more than 40 websites to cover the games. By contrast, it used five channels and one website in 2010, when it was controlled by [General Electric](#) Co.

The Olympics coverage can also help Comcast get higher fees from other cable TV companies such as Time Warner Cable Inc. to carry those channels in their lineups.

"It does not take too much to move it across the finish line in terms of getting more in the black," said Matthew Harrigan, an analyst with Wunderlich Securities.

NBC should also benefit from sponsorship packages developed by the U.S. Olympic Committee two years ago when the advertising market looked grim.

One such package creates a direct connection between the USOC, NBC and the sponsors - in this case, Citigroup, TD Ameritrade and a home-improvement company that still hasn't been determined. As part of the deal, the sponsors are committed to buying ads on NBC, giving the network a head start in selling commercials.

Because NBC will get rights for at least nine more years, the USOC will be in a better position to make such long-term ad deals, USOC marketing chief Lisa Baird said.

One unknown is how fast Comcast can increase revenue from online viewing.

For the 2008 Summer Games in Beijing, NBC ran an unprecedented 2,200 hours of coverage over the Internet. For some fans it still wasn't enough. The network was pilloried, for instance, for waiting more than half a day to televise the men's 100-meter final so it could show Usain

Bolt's record-breaking run in prime time.

Starting with the 2014 games in Sochi, Russia, NBC plans to carry every single event live in some format or another. It will repackage the best events for U.S. television audiences when evening arrives.

Mark Lazarus, chairman of NBC Sports Group, told reporters last week that technology is changing so rapidly that the deal gives NBC the ability to exploit the games on every platform "now known or to be known or still to be conceived."

Comcast has been steadily rolling out its Xfinity TV software, which allows subscribers to watch shows on different devices and over the Web. Comcast will likely try to use that to make more money from the games.

Networks also have been increasing the amount of video ads accompanying online shows.

Analysts believe Comcast has plenty of time and the right combination of channels, websites and subscribers to start cutting its losses in 2014.

Comcast CEO Brian Roberts said he's confident the games will be profitable, helped by new technology and the long-term nature of the deal.

Even for a company that made \$3.6 billion in net income last year, losing \$200 million every few years is not a strategy for success.

The intangible value it gets for promoting NBC shows may have been a deciding factor in its bid.

NBC, for instance, can use the Summer Games to promote promising

new dramas or comedies on its fall lineups. That's similar to the way CBS launched its reality show "Undercover Boss" to audiences immediately after the Super Bowl last year.

There's no good estimate on how much NBC shows might benefit from the promotional boost.

Its competitors had less reason to seek it out.

Almost every U.S. home already has The Walt Disney Co.'s [ESPN](#). It's the market leader in getting fees from cable, satellite and other TV service providers.

The boost to Disney's ABC network wasn't deemed enough to justify paying more, according to a person with knowledge of the bid. The person spoke on condition of anonymity because the network was not releasing details of the proposal.

News Corp.'s Fox, meanwhile, is already the leader in attracting viewers aged 18 to 49 - the group most sought by advertisers. That's partly because of its enduring hit, "American Idol."

Ahead of its takeover, Comcast promised government regulators that it would invest to rebuild NBC. Carrying the Olympics fits with that strategy.

"The Olympics are a ratings builder for all other TV shows," said sports agent Brant Feldman, managing partner of American Group Management. "NBC is a fourth-place network right now, but if you assume the programming is going to get better in the future, then the Olympics can be a jumping board to all that other viewership."

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