Streaming to overtake cable in 3-5 years: Netflix

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Internet-streamed video will overtake cable to dominate home video viewing within three to five years, Netflix chief executive Reed Hastings, pictured in September 2011, predicted Tuesday, with stiffer competition to come.

Hastings said that the rapid growth in high-volume home internet links over fiber optic cables will boost consumer use of on-demand viewing services over traditional cable viewing.

Streaming "is all people are going to care about" in a few years. "People are in love with broadband, in terms of click and watch."

Hastings also told an audience of investment analysts that his company,
making the shift from a traditional DVD service to an online entertainment provider, expected to pay $1-2 billion a year for new content to stay ahead of challengers.

"We have got to get as big as we can before the rest of the world catches up," Hastings said at the UBS Global Media and Communications Conference in New York.

He added that a deep battle is developing for the streaming market but that his company, which has some 24 million monthly subscribers, and HBO's HBO Go service already dominate and will be the suppliers to beat.

"The competitor we fear the most... is HBO Go," he said. "The two of us will compete for a very long time."

He did not address speculation that the dominant US cellphone provider, Verizon, will use a new $3.6 billion purchase of wireless spectrum to push into video streaming.

But he said both Netflix and HBO are spending $1-2 billion on new content each year, he said, a level matched by no other competitor.

HBO, a well-established premium cable channel, has long produced its own series and movies, and is now making it available for streaming via HBO Go.

Netflix, built on the back of its popular DVD-by-mail rental service, has spent more acquiring rights to stream the videos and only recently moved to develop its own programs.

Earlier this year the company won a bidding war with HBO for the rights to make a US version of the hit 1990s British political drama "House of
The 26 episode production, which will star Kevin Spacey, will cost the company $100 million, according to various media estimates.

Netflix shares have plunged 77 percent since their mid-July peak on worries that the company is not adding subscribers quickly enough to boost its bottom line and fund the content expansion.

Hastings acknowledged the loss of business after a poorly-handled price increase in September alienated customers.

But he said the company expected "substantial" subscriber growth over the next year as the company expands its offerings and pushes into foreign markets, starting with Britain and Ireland early in 2012.

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