

Comcast-TWC merger worries consumers

February 14 2014, by Ryan Nakashima



In this July 30, 2008 file photo illustration, a silhouetted coaxial cable is photographed with the Comcast Corp. logo in the background in Philadelphia. Comcast Corp. announced Thursday that it is buying Time Warner Cable Inc. for \$45.2 billion in stock. The deal combines two of the nation's top pay TV and Internet service companies and makes Comcast, which also owns NBCUniversal, a dominant force in both creating and delivering entertainment to U.S. homes. (AP Photo/Matt Rourke, file)

Cable subscribers don't give Comcast and Time Warner Cable good grades when it comes to customer satisfaction. So after Comcast

announced its \$45 billion purchase of Time Warner Cable Thursday, it didn't take long for consumers to start venting their frustrations over high prices, spotty service and fears of a monopoly.

The pairing of the nation's two biggest cable companies spurred a cascade of sarcastic tweets and satirical memes in which people likened the new entity to the killer Death Star battle station from "Star Wars" and the evil Eye of Sauron from "The Lord of the Rings." Some people recalled a "South Park" snippet in which character Eric Cartman and friends are tormented by cable employees before a logo curiously similar to Time Warner Cable's own.

The jokes reflect a more serious sentiment among consumers. J.D. Power said in September that in multiple surveys about pay TV service that it conducted over the previous year, Comcast and Time Warner Cable ranked below the industry average in every region of the country. Time Warner Cable ranked dead last among providers in every region but the West. The telecommunications industry as a whole places 9th out of 10, above only utilities.

The acquisition means Comcast will serve more than 30 million TV and Internet subscribers. The company said the deal will allow it to boost Internet speeds and reliability, spread its latest Internet-connected set-top boxes over more homes and help save it money on TV programming costs.

Comcast CEO Brian Roberts said the combination will be "pro-consumer and pro-competitive."

Comcast's expected argument before antitrust regulators: Comcast and Time Warner Cable don't directly compete with each other in any region. Therefore, the deal won't reduce competition and should be approved.

But it is that lack of overlap, and absence of choice, which is at the root of customer frustration, according America Customer Satisfaction Index managing director David VanAmburg. Cable companies that purposely don't compete against each other to provide fast Internet or reliable TV service can get away with not fully meeting customer needs in markets where they dominate.

"It's almost subconsciously built into their business model that they don't have to worry so much you're going to leave for a competitor," said VanAmburg. "It's definitely a big factor."

That sense of complacency shows up in consumer surveys. In the ACSI's annual survey of consumer sentiment toward 240 companies, Time Warner Cable as a TV provider ranked second to last, beating out only the Long Island Power Authority. As an Internet service provider, it came sixth from the bottom. Comcast's TV and Internet service ranked 233rd and 236th respectively.

As industries, subscription TV services and Internet service providers rank 44th and 45th out of 45 industries the ACSI covered.

It's no wonder that many consumers were skeptical about the benefits of the deal to them.

Michael Pinto, a 48-year-old Time Warner Cable customer in the borough of Brooklyn in New York City, said a lot of people in the city are trapped into whatever service happens to run into their building that the landlord allows. He worries that a lot of creativity could be stifled if control of Internet and TV service is consolidated into too few hands.

"I suppose it's good news for shareholders. You get a bigger, growing company with smaller cost structures," said Pinto, a website designer and chief creative officer at Very Memorable Inc. "But I think as a

democracy—not just a democracy in politics but in a creative sense—I wonder what new channels are we missing out on?"

Another Brooklyn resident, 24-year-old Veronica de Souza, says her yearlong experience with Time Warner Cable has been "a nightmare" for her and her three roommates. She expects that under a merger, their TV and Internet service "will only get worse."

Several of them work from home so a consistent, fast Internet connection is a necessity. The competition is weak, particularly because Verizon offers only Internet, not TV service, in her area.

Their Internet connection has gone down several times, and when she's called for help she's been made to wait 20 minutes or more for a live person. "They don't feel an obligation to hurry up and fix things when they're broken," said de Souza, social media editor at the website, Digg.

What's worse is she knows a friend who happens to live in a rare area served by both Time Warner Cable and Cablevision. Her friend told her it was like hitting the "jackpot."

"Both offered her a cheaper price than anyone else to pick them," she said. "That's what we could have if we had more than one cable company."

Service outages can inflate consumers' negative feelings toward TV and Internet providers, especially when they are not resolved quickly according to J.D. Power's senior director of telecommunications, Kirk Parsons.

While fixing a problem quickly can actually boost a company's standing with a customer, missing appointments or letting problems languish can be devastating.

"You can mess up once and it really can impact the perceived value of the brand," he said.

Simon Eldridge, a 36-year-old media technology consultant in San Jose, Calif., is concerned about everything from the combined company raising prices to throttling the streaming speeds of online video companies such as Netflix. Comcast has said it will continue to abide by government conditions attached to its purchase of NBCUniversal in 2011 that prevent it from selectively throttling Internet speeds, at least through 2018 when the conditions are set to expire.

The British native is a Comcast Internet customer, mainly because no other provider in his area will give him the speed he needs to work from home. Eldridge pays about \$80 a month for a download speed of 50 Megabits per second. He says that's about one-third pricier than in the U.K., where there is more competition.

"This kind of a merger is going to give them a third of the Internet market in the U.S. and they can charge even more," he said.

He's read up about their reputation for poor service, although Comcast has been "pretty decent" to him. Eldridge is hopeful that the companies fulfill pledges they made Thursday to boost Internet speeds and reliability for consumers if the deal is approved.

"Hopefully some good will come out of it rather than the worst side of both," he said.

© 2014 The Associated Press. All rights reserved.

Citation: Comcast-TWC merger worries consumers (2014, February 14) retrieved 20 March 2024 from <https://phys.org/news/2014-02-comcast-twc-merger-outrages-consumers.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.