

Netflix reaches deal with Comcast

February 24 2014, by Steve Rothwell

(AP)—Netflix has reached a deal with Comcast to ensure that its TV shows and movies are streamed smoothly to households, the first deal the online video streaming service has reached with an Internet service provider.

The two companies said in a joint statement Sunday that they are establishing a more direct connection to provide a better service to customers that will also allow for future growth in Netflix traffic. The companies say the arrangement is already giving customers a better experience.

Netflix had 33 million U.S. streaming subscribers at the start of the year and accounts for about one third of all traffic on the Internet, according to research firm Sandvine. As the video steaming company has grown, Internet service providers like Comcast have pushed the company for more structured deals to enable its content to be transmitted smoothly and reduce the strain on their networks.

While the companies did not disclose the terms of the deal, Netflix investors will want to know how much this deal will affect the company's bottom line and whether the costs will be passed on to customers. Netflix has been resisting paying fees to Internet companies and this deal could open the door to similar deals with other providers.

Netflix is already experimenting with different rate plans that charge slightly more for households that want to stream its shows and movies on four different screens simultaneously.

The deal comes after months of collaboration with Comcast though Netflix will receive no preferential network treatment under the multi-year deal, the statement said.

Comcast was ranked as the 14th fastest Internet service provider in January, according to a table on Netflix's website. By connecting directly to Comcast's network, Netflix should be able to boost the quality and speed of its video streaming as it adds more customers and prepares to start streaming its content in the ultra high definition format this spring.

Other large Internet companies such as Google already pay broadband providers a fee to enable more direct connections.

Comcast is the nation's number-one pay TV and Internet provider under its XFINITY brand. The company said earlier this month that it had agreed to acquire Time Warner Cable for \$42.5 billion in stock.

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