

Comcast must show what's next after collapse of deal

May 1 2015, by Tali Arbel

Comcast, which reports financial results on Monday, faces some tough questions about what's next for the country's biggest cable company after its dreams of a far-reaching network collapsed with the death of its \$45 billion Time Warner Cable deal.

Comcast, which owns NBCUniversal, wanted Time Warner Cable to bulk up its business-services division, add millions of subscribers and empower itself in negotiations with media companies. But regulators pushed back, fearing that the combination of the country's No. 1 and No. 2 cable companies would create a behemoth that would control too much Internet access in the U.S. and have the ability to undermine the nascent streaming video marketplace.

The company now has to deal with growing expenses for the movies, TV shows and sports rights it buys without the cash influx from Time Warner Cable subscribers and the increased leverage it would have had as a bigger provider.

"Containing costs is critical," said Colin Dixon, an analyst with media analysis firm nScreenMedia. "That's one of the biggest losses."

And fewer people are interested in paying for a traditional, expensive TV package, which can easily run \$70 to \$100 a month. Their steady migration to online video "is a fact of life," Dixon said. Comcast has to show how it plans to deal with that.

Philadelphia-based Comcast Corp. has to consider many questions related to industry changes and tougher regulation:

CONSOLIDATION

Do regulators' concerns mean that Comcast's run of acquisitions in the U.S. is done? Its competitors are beefing up: AT&T is still expected to complete its acquisition of DirecTV, while Charter is still pursuing Bright House and analysts predict it will go after Time Warner Cable.

Investors will want to hear what Comcast executives have to say about its wireless ambitions or international expansion.

BREAKING THE BUNDLE

How will Comcast show it's adjusting to a world in which people are increasingly turning to cheaper, smaller TV packages or ditching the cable cord entirely? Comcast already has some "skinny" TV packages, such as Internet Plus, which gives subscribers broadband, about 25 channels including broadcast networks, and HBO for a promotional price of \$45 a month (it jumps to \$70-\$75 a month after the discount expires).

Investors and customers will want to know if it plans to follow in the footsteps of Verizon's FiOS, which recently introduced a cheaper, more customizable TV option. (There are growing pains involved in this: Verizon was promptly sued by ESPN for relegating it to an optional sports channel tier.)

ONLINE COMPETITION

How will Comcast deal with the fact that there are an estimated 10 million households that pay for Internet service but not cable? They have a growing number of options: Netflix now has more than 40 million U.S.

subscribers. Hulu has nearly 9 million. Dish has an Internet service called Sling TV. And traditional media companies are offering online options too: HBO created a version of its popular video app for people who don't pay for cable TV. CBS is streaming directly to consumers in some markets with an online \$6-a-month service. Dixon says other channels are likely to come out with their own online options soon.

Comcast has TV Everywhere offerings and Streampix, which let you watch TV and movies outside your home if you pay for cable. But will it launch an online video service of its own for subscribers who only pay for Internet—and maybe one that is available to any Internet user, not just Comcast customers?

And with more people subscribing to online video services like Netflix, will Comcast start integrating them into its set-top box or Internet-only offerings?

CUSTOMER SERVICE

How will Comcast deal with its customer service issues? Comcast has a woeful customer-service reputation, and that was one reason there was so much public grumbling about its Time Warner Cable deal. It has been trumpeting its investments in customer experience, like bulking up its social media team, extending appointment times to evenings, letting people drop off equipment at UPS stores and testing a simplified bill. Are those efforts helping? Is Comcast considering other changes?

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