

Comcast loses fewest TV customers in 8 years

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This Thursday, July 23, 2015, photo, shows the Comcast building sign at Rockefeller Center, in New York. Comcast reports financial earnings on Wednesday, Feb. 3, 2016. (AP Photo/Mary Altaffer)

Comcast is trumpeting its best year for traditional TV services in nearly a decade, even though it continues to lose TV subscribers.

The number of traditional TV customers is still declining across the industry, and analysts say Comcast's TV gains are largely coming from competitors, like AT&T and Dish, rather than young new cable

customers who have never paid for cable before.

Comcast says it is stemming its losses by luring customers with new TV-Internet packages, while keeping TV customers around for longer with the help of a fancier cable box. The company also says recent investments in customer service, long a blemish on its reputation, have helped.

Comcast said Wednesday that it added 89,000 TV customers in the last three months of 2015, which it said was its best quarter since the October-December period of 2006. For the full year, Comcast lost 36,000 TV customers, the smallest drop since its annual string of TV customer losses that began in 2007.

Other cable companies are improving, too, even as cable bills rise overall and people spend more time watching video online. Time Warner Cable posted a small gain of 32,000 TV customers for 2015, the first year it's added TV subscribers since 2006.

"Definitely what we're seeing is a share shift" to cable, largely from AT&T, said Bruce Leichtman of Leichtman Research Group, which tracks the industry. He said a large part of that is because AT&T is emphasizing its satellite provider DirecTV, which it bought in July, at the expense of its U-verse service.

And cable companies' resurgence isn't "a referendum on cord cutting," said Craig Moffett of MoffettNathanson Research, referring to customers cutting or skipping traditional TV subscriptions in favor of online options. That continues to decline at nearly 1 percent a year. Instead, he sees the beginnings of a "long-term shift" of customers to cable companies from their satellite-TV and phone-company competitors.

Morgan Stanley analyst Ben Swinburne says cable companies are getting a boost from their relatively fast Internet offerings and from skinny bundles—cheaper packages with fewer TV channels.

Comcast's skinny bundles include Internet Plus—local TV stations, the Internet and HBO—and a service called Stream, which delivers channels over the Internet without needing a cable box.

On a call with analysts, Comcast said that 75 percent of its new TV customers were still "higher-end," bigger bundles. And the company defended the traditional bundle. Steve Burke, the head of NBCUniversal, said the big bundle is "going to continue to be a very good business for a very long time."

Comcast is also still rolling out its updated X1 cable box, which the company says has helped it hold on to customers longer. X1 users also tend to spend more on extra DVRs, meaning more money for Comcast. Comcast says 61 percent of its new video customers in the fourth quarter got X1, and that 30 percent of its customer base has it.

And like other cable companies, Comcast has seen its Internet-access business grow. It added 1.4 million Internet customers in 2015, including 460,000 in the October-December quarter.

That's largely due to a lack of choice for speedy Internet access at home. Two-thirds of the country's homes have just one option or none at all at the speed the Federal Communications Commission has deemed broadband: 25 megabits per second.

Comcast typically promotes Internet speeds ranging from 25 to 150 megabits per second. The company announced Tuesday that it will offer gigabit Internet service—or about 1,000 megabits—in five cities this year through a modem upgrade, although it didn't say what the price

would be. Rolling a faster service out nationwide should help Comcast continue to grow Internet customers, says Nomura's Anthony DiClemente.

Looking to the future, Comcast also said it may buy up wireless airwaves in the government's upcoming auction, which could help it offer cellphone service. The company has said that it is "exploring" what kind of wireless service it could do. Any cell plan from Comcast is expected to rely on Wi-Fi, but last year the company also confirmed that it was activating an option it had to resell cell service from Verizon's network.

As for Comcast's NBCUniversal business, TV ad revenue fell 2 percent to \$9.18 billion for the year. For the quarter, ad revenue was largely unchanged at \$854 million at cable channels like Bravo, CNBC and USA and rose 7 percent to \$1.78 billion for NBC and Telemundo. The movie business got a boost from DVD and on-demand sales of hit Universal movies such as "Jurassic World," released theatrically earlier in the year.

Company-wide profit rose more than 2 percent to \$1.97 billion, or 79 cents per share, in the fourth quarter. Adjusted for one-time costs, per-share earnings came to 81 cents. Revenue rose 8.5 percent to \$19.2 billion.

Its shares rose \$2.09, or 3.8 percent, to \$56.68 in afternoon trading Wednesday. Its shares are up about 2 percent over the past year.

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