Press Release

For Immediate Release
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The Implications of the Comcast/NBC Universal Deal

Commentary from Alison Casey, Head of Global Content, Futuresource Consulting

The announcement earlier this month that Comcast has acquired a 51% stake in NBC Universal will result in a massive new media conglomerate. The potential implications for the market are currently being hotly debated, with a wide variety of very differing views being expressed.

It could take up to 12 months to secure regulatory approval but it is generally agreed that the deal is likely to be approved.

The forthcoming Online Video Market report from Futuresource, which forms part of our digital entertainment and broadcast tracking service, will provide insight and context, but key points and analysis are as follows:

- Comcast is the largest provider of cable services in the world, providing pay-TV, broadband and phone services. It has 24 million cable customers and is the largest Pay-TV company in the US market
    - In 2008 the company grew its turnover by 10% to $34billion;
- Overall the Pay-TV industry has continued to perform well in 2009 and although there have been some casualties, caused by increasing competitive pressure, Comcast is in good shape.
- Regulatory controls mean that with a market share of 30% Comcast's continued growth cannot come from increasing its Pay-TV subscriber base alone.
- As well as providing the cable services, Comcast also owns some of its own TV properties and channels, but does not have any major international brands of any note.
- When Comcast acquires NBC Universal it will be acquiring a film studio and theme parks but, most importantly, a broadcast TV network and leading channels like Bravo, the Sci-Fi channel and CNBC. It will also be acquiring a raft of TV shows that are major revenue generators both in the USA and internationally.
    - Shows such as Heroes, Law & Order, 30 Rock, The Office, The Tonight Show with Jay Leno & the Jerry Springer Show are all globally recognised NBC Universal brands.
- However, many people are asking why the Comcast/NBC Universal deal will be successful when the Time Warner vertical integration was not.
- The Comcast/NBC Universal deal will be different because the focus will not be about developing synergies between the cable network and the content but will be centred on the deployment of new technologies and developing new business models, with the potential to radically change the consumer experience. With an estimated 82% of the new company's revenues coming from television it is clear the focus will be on television rather than exploitation of content in the theatrical or home video areas.
- An estimated 23% of the new organisation's revenues will come from advertising. It is then perhaps not surprising that the development of new business models to help protect and grow revenue from advertising will be a key focus. The ability to target advertising at individuals - based on interests or home address - which Comcast is involved in developing, will potentially revolutionise TV advertising.

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- A major area of synergy between the two organisations is in the area of online content distribution, with both already offering content online for free. Online, Comcast is driving its "TV Everywhere" service which gives free access to all cable shows online to its subscribers – adding value and reducing churn. In the long term the anticipation is that online advertising revenues can also be grown.
- Hulu (which is part owned by NBC-Universal) has already become a strong brand in the market and it would seem likely that as the popularity of watching content online grows then the market can easily support two different brands, each utilising different consumer models.
- At this early stage, it is not clear whether the Comcast strategy will be to focus solely on its core TV related properties, with a possible sell off of some of the less synergetic parts of the company, or not. This might include the disposal of the theme park interests as well as the studio itself.
- In summary, Comcast and NBC Universal have a lot in common and some very similar visions of the future. The growing popularity of watching TV and movies online and the need to shake up existing models of working in the television industry are central to the focus of the new organisation.

Save the date
The Futuresource Entertainment Summit
10–11 June 2010, London, UK
Covering all business opportunities presented by new home entertainment technologies, platforms and delivery systems, this year's conference focuses on the strategic impact of 3D, the rise of IP connected devices and the changing face of retail, plus revenue stream development and optimisation for Blu-ray and online content services.
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Notes
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