



Rogers Prepares to Take on Netflix

Description

With the growth of online streaming services, Canadians are reducing their dependency on cable, with as many as 400 000 (or 3.5% of the market) “cutting their cords” since 2011. Many of these cord cutters have embraced services such as **Netflix** ([NASDAQ:NFLX](#)), which currently has well over a million Canadian subscriptions, much to the dismay of the Canadian cable companies.

Now it seems that **Rogers** (TSX:RCI.B, NYSE:RCI) is preparing to launch its own streaming service, believed to be named “ShowMi”

While it’s not known what Rogers will charge for the service, industry insiders are expecting it to resemble Hulu more than Netflix, which means next-day TV episodes and unskipable ads. For customers in the U.S., the unskipable ads are a big drawback that pushes many over to Netflix.

Content is king

Over the last couple of years, Rogers has quietly spent over \$100 million on digital rights for TV shows and movies. Another advantage for Rogers would be the newly acquired \$5.2 billion agreement with the NHL, which includes the digital rights as well as the national broadcast rights. Rogers has been quiet on how it would incorporate the NHL digital catalogue and “ShowMi” could be the answer.

Third-world bandwidth

Back in September 2012, Netflix Chief Content Officer Ted Sarandos declared that, “The problem in Canada is... they have almost Third World access to the Internet” — citing the low data usage caps and the “absurd” amounts charged by the providers.

Like Netflix, the new service from Rogers would still be limited by Canadian internet standards. It is because of these limitations that Canadian Netflix subscribers are unable to access HD, Super HD and 3D services.

I pay \$60 a month and receive 20ish mps and 250gb, and despite the fact I live in a major city I still get three crashes an hour playing my PS3 online. It is the speed, cost and bandwidth issues that have

deterred many from fully embracing streaming services. For example, with Netflix, the average usage is 1gb per hour of video for what is laughably called in Canada best quality. So depending on your internet plan, it could actually cost you much more than Netflix's \$7.99 charge to fully enjoy the service.

Foolish bottom line

While Rogers has not fully confirmed this new program, it is inevitable that cable companies will have to find ways to compete with the "master of streaming" if they wish to maintain market share. This is an issue that came up during the Bell-Astral negotiations with the CRTC.

As Rogers prepares to enter the fight against Netflix, its greatest enemy could prove to be its low customer approval ratings (especially in Eastern Canada), which could discourage customers to switch over to an untested product. Either way, until Netflix is able to provide its own internet in Canada, the existing providers will continue to ensure their customers pay top dollar for their services.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

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