



## Cable Investors: Be Wary of This Upcoming Game Changer

### Description

Like a lot of males in Canada, I have pretty straightforward television habits. Aside from the odd rerun of *The Simpsons* or *The Office*, and every World War 2 documentary I can get my eyes on, I watch a lot of sports. I'd estimate that over the past year I've watched more than 100 complete games, and parts of about 200 more. I'll watch a game until it becomes uncompetitive, and then turn to a different, closer game. On Sundays during NFL season, I'll flip from game to game, constantly checking the progress of the individual players on my fantasy team.

Don't worry, my girlfriend makes me well aware that I have a problem.

As a current **Telus** ([TSX: T](#))([NYSE: TU](#)) cable customer and a former **Shaw Communications** ([TSX: SJR.B](#))([NYSE: SJR](#)) satellite customer, I would have never dreamed of cutting the cord on cable. I could handle the loss of the shows I liked with a **Netflix** subscription and YouTube videos, but I could never replace live sports. Certain networks do feature live streaming of sporting events, but as any connoisseur of sports can attest, watching the game on your laptop just isn't the same.

At this point, there's not much a sports fan can do to avoid paying for cable. Yes, each major professional sports league offers a pass so sports fans can watch all the games, but these passes are usually expensive and block out the user's local team. A league pass is a good option for a hardcore fan of a certain sport, but isn't such a good option for someone who just wants to watch the hot game on the weekend.

Broadcast companies are increasingly bidding up the cost to televise live sports. Generally, if the game of the night is close, people are going to watch it until the end. Thus networks can get away with charging advertisers more, since ads shown during live sports will have a greater impact.

Both **Rogers Communications** ([TSX: RCI.B](#))([NYSE: RCI](#)) and **BCE** ([TSX: BCE](#))([NYSE: BCE](#)) have realized this, and loaded up on all the live sports they can get their hands on. Both companies have also realized owning the sports teams is a sound investment, since owning the team means they don't have to pay for the rights to broadcast the games. Rogers is the proud owner of the Toronto Blue Jays and both BCE and Rogers have teamed up to purchase the Maple Leafs and Raptors.

This model has worked well for BCE and Rogers, which broadcast the vast majority of live sports in Canada. But what happens if a disruptive technology comes along and offers a Netflix-type service for live sports? This could be a huge blow to the fortunes of all the major television providers in Canada.

Netflix has come out publicly and said it's not interested in sports, and is choosing to focus on creating its own programming instead. YouTube is increasing the amount of live events it shows, and even the major American networks might get together and decide a live sports streaming service would take some of the sting out of revenue losses from cable cutters.

There are all sorts of issues that would need to be worked out, but this service is coming. Whether it's a pay-as-you-go model on iTunes or on YouTube, or a streaming service that charges a flat monthly rate, something will happen. There's a lot of revenue at stake.

### **Foolish bottom line**

I'd love the chance to cut the \$70 per month I pay for cable. There are thousands of different programs on many different channels that I have no interest in watching. The federal government has even weighed in on this issue, telling the cable providers that it intends to force them to allow Canadians the right to pick and choose desired channels. If my habits are any indication, a lot of Canadians are going to choose sports and little else.

Whatever ends up happening, I can't see it being positive for any of the television providers.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:BCE (BCE Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:SJR.B (Shaw Communications)
6. TSX:T (TELUS)

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