The Battle for Your Home: Rogers Communications Inc. vs. BCE Inc. vs. Telus Corporation

Description

Earlier this week, I wrote an article on the state of the telecommunication industry, focusing on the wireless segment. This time, I will examine the battle for your home to see who is winning among the "big three" — **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI), **BCE Inc.** (TSX: BCE)(NYSE: BCE), and **Telus Corporation** (TSX: T)(NYSE: TU).

What do investors need to know?

Fibre versus cable

One of the biggest questions for consumers has always been whether there is a noticeable difference between fibre technology, such as BCE's Fibe TV or Telus's Optik TV, and cable technology, such as Rogers Cable. While the core technology is different, the end product has always been similar: a television signal.

Based on the latest Q2 results, it looks like fibre is trouncing cable when it comes to television subscribers. BCE grew its total TV subscriber base by 6% year-over-year, driven by its strong Fibe TV product. Out west, Telus is dominating television subscribers with Optik TV, which increased subscribers by 16.4%. In contrast, Rogers experienced a 5.5% decline in cable television subscribers.

TV subscribers drive multi-product opportunities

While television may not be the stickiest product that a telecommunication company may offer, there are signs that by focusing on television subscribers, there has been an incremental drive toward other products.

For Telus, while TV subscribers increased by 122,000, Internet subscribers also increased by 76,000, resulting in a 62% attach rate, or 76,000 divided by 122,000. Similarly, while BCE increased its television subscribers by 132,395, it also increased its Internet subscribers by 70,589, a 53% attach rate.

By focusing on television subscribers, telecom providers may be able to drive additional products through multi-product bundling.

Pricing power

If there is anything that these Q2 results show, it is the extent of pricing strategies that companies use to combat subscriber losses.

While Rogers experienced a 5.5% TV subscriber decline year-over-year, overall TV revenue declined by 4%, or $20 million. One suspects that there were conversations within the company on potentially increasing prices to offset TV subscriber decline; but because of the attraction of fibre TV, management most likely decided against significant increases.

While Rogers does not provide exact pricing details, it looks like the greatest price increase was for Internet services. As discussed in a previous article, Internet remains the best product to increase prices for due to its prevalence in society. For Rogers, while it only grew its Internet base by 2.7% year-over-year, Internet revenue increased by 9%, or $25 million, which was just enough to cover TV revenue decline.

Moving forward

Ultimately, as BCE and Telus gain TV subscribers through their fibre products, expect Rogers to be aggressive in stemming the loss of cable subscribers.

There are various tactics to address the situation. One may be to aggressively use cheap home phone packages as tip-of-the-spear approach to gain telephone subscribers who may also go for other products.

There are signs that Rogers may be implementing this, as phone subscribers have increased 1.7% year-over-year while phone revenue decreased 3%.

Of course, there is always the possibility of increasing prices to offset revenue decline. It will be interesting to see what strategy Rogers will use going forward.

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
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