



Rogers Communications Inc. and Shaw Communications Inc. Team Up Against Netflix

Description

When streaming giant **Netflix Inc.** first began streaming in Canada in 2010, the major telecoms were “caught with their pants down”. In the time since, Netflix has exploded its subscription base in Canada and has driven many consumers to become “cord-cutters”, a trend that is expected to include 5.7% of Canadian homes this year. It was only a matter of time before one or more of Canada’s telecoms would take the plunge into the digital streaming market.

Now that day has come as **Rogers Communications Inc.** ([TSX: RCI.B](#))([NYSE: RCI](#)) and **Shaw Communications Inc.** ([TSX: SJR.B](#))([NYSE: SJR](#)) have joined forces to launch Shomi. Priced at \$8.99, on par with a new Netflix subscription, Shomi will enter its beta release in November. With a full release expected in six to 12 months, to current customers of Rogers and Shaw.

We first discussed the possibilities of Shomi back in [January](#), as Rogers was discovered buying up over \$100 million worth of digital rights agreements. In the eight months since, Netflix has gone from 1 million Canadian subscribers to 3.5 million. These are impressive numbers as we live in a country with only 13 million addresses.

Shomi the subscribers

Shomi will be structured as a joint venture owned equally by both companies, hence the purple branding (red plus blue). What sets this partnership apart from what most American companies could accomplish is that Rogers and Shaw are both broadcasters and creators of content.

Shaw has access to Global, Showcase, History Channel, and HGTV among others. While Rogers has access to City’s catalogue of programs, not to mention Sportsnet and its yet to be revealed digital NHL strategy. Making it easier for Shomi to lock up newer programming, and harder for Netflix to circumnavigate what is quickly becoming “digital syndication”.

The battle over content

Shomi, has already secured 11,000 hours of television from 340 series, as well as 1,200 movies. What

could be the Trojan horse of Showmi is that 30% of its catalogue will be Canadian content. This isn't odd, as conventional broadcasters have mandated Canadian content regulations. However, this catalogue of Canadian programming could be used by Rogers and Shaw as a leverage against Netflix in future talks with the CRTC.

Not to be outdone, Netflix is locking up more and more content. Its biggest coup-d'état is locking up the digital rights for all first-run movies from **The Walt Disney Company**, including Pixar, Marvel, and Lucasfilm properties. Canadians will not be left out, but rather we will be the first to enjoy come 2015.

Who's the big winner?

Executives with Rogers and Shaw refrained from calling Shomi a "Netflix killer"; instead, they are hoping Canadians will sign up for both subscription models. Whether or not Canadians buy into this idea of multiple subscriptions remains to be seen. But no matter which subscription program people side with, consumers will still be bound to their internet providers.

Ideally, Rogers and Shaw are hoping that its customers subscribe to Shomi and watch to the point of hitting their internet data limits. As a 720p video eats up about 5mb of data per second, and recent estimates show that one third of all internet traffic in Canada is attributed to Netflix.

As for **BCE** ([TSX: BCE](#))([NYSE: BCE](#)), well, its rumored plans for a streaming service are still buffering.

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. NYSE:DIS (The Walt Disney Company)
3. NYSE:RCI (Rogers Communications Inc.)
4. NYSE:SJR (Shaw Communications Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:SJR.B (Shaw Communications)

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