



## BCE Inc.'s CraveTV Will Lose to Netflix, Inc. Unless it Does These 3 Things

### Description

Since launching in 2014, **BCE Inc.'s** ([TSX:BCE](#))([NYSE:BCE](#)) CraveTV video-streaming service has seen some decent success.

CraveTV was originally offered to Bell television subscribers only, but that condition was dropped in 2015 as **Rogers Communications** and **Shaw Communications** teamed up to offer their own video streaming service, dubbed Shomi. CraveTV led this battle from the start, eventually forcing Shomi to shut down. Shomi officially stopped broadcasting in November 2016.

Both Shaw and Rogers lost millions on Shomi. Shaw reported a total loss of approximately \$250 million on its investment.

With Shomi out of the way, CraveTV really only has one big competitor in Canada: **Netflix, Inc.** ([NASDAQ:NFLX](#)). Netflix is by far the leader in streaming video in Canada with an estimated subscriber count of between five and six million Canadians. CraveTV has about a million subscribers.

Netflix is even bigger worldwide. It added seven million subscribers in its most recent quarter alone, increasing the total subscriber count to approximately 95 million.

It's hard to compete with that kind of powerhouse, but BCE must try. Nearly 200,000 Canadians dropped cable last year — a troubling trend for a company with 2.7 million TV subscribers. CraveTV is the future, but unless BCE gets serious about its streaming service, it's in danger of falling even more behind Netflix.

Here are three important ways for BCE to start gaining market share from its main rival.

### Invest in original content

CraveTV is beginning to invest in original content. *LetterKenny* — CraveTV's first and most popular exclusive show — has been heavily promoted among BCE's traditional television channels. It also acquired *ShutEye* in December, which follows a group of fortunetellers and the organized crime syndicate that runs them. CraveTV has a handful of other original shows with a few more planned.

But these investments pale in comparison to what Netflix is doing. As traditional broadcasters became reluctant to sell Netflix the streaming rights for their programs, Netflix pivoted and invested a massive amount of money towards its own programming. That number totaled \$6 billion in 2016 with an additional \$6 billion planned in 2017.

There's no way BCE can afford to invest billions into original programming for CraveTV while being able to afford its 4.9% dividend. It can, however, still up its spending drastically. It also has the benefit of putting some of that programming on its traditional television stations.

### **Leverage its relationships better**

One of CraveTV's big advantages over Netflix is that it has access to more than 400 different HBO TV shows, movies, and documentaries, while HBO is completely absent from Netflix Canada.

But upon further inspection, this advantage isn't so exciting. Yes, some of HBO's most popular shows ever are available on CraveTV, including *The Sopranos* and *Sex in the City*. But none of HBO's current popular series are on CraveTV. Subscribers can't watch *Game of Thrones*, *Girls*, or *VEEP*.

CraveTV subscribers can watch episodes of *Billions* — which is a Showtime series — on the same night as they air on broadcast television. That's a great start. But BCE must do a better job leveraging its relationships to get more of today's most popular shows.

### **Decrease the price**

A CraveTV subscription costs as much as a basic Netflix subscription: \$7.99 a month. If Netflix users want to watch one more than one device at once or get HD quality, prices go up to \$9.99 to \$11.99 per month. Crave charges everyone \$7.99.

BCE should adopt the same strategy that countless others have done over the years. It should drop the price on CraveTV to encourage folks to sign up. If CraveTV is a better value than Netflix, it will eventually gain subscribers.

Yes, such a move will cause BCE to lose additional money on CraveTV. But as Netflix showed, gaining market share and profitability are two very independent goals. Besides, the other divisions of the company are easily profitable enough to subsidize it.

### **The bottom line**

Without making some changes, it's going to be difficult for BCE to grow CraveTV into a powerhouse. If that doesn't happen, it runs the risk of losing cable subscribers to Netflix. Video streaming is the future. It would be a shame if BCE dropped the ball on something so important.

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