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Comcast Fights Back

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Offsetting its recent loss in a bidding war against the Walt Disney Company for control of 21st Century Fox, Comcast successfully won its September 22 bid to acquire Sky—a British media and telecommunications broadcaster. The takeover comes shortly after Disney outbid Comcast in July in the fight over the acquisition of Fox. With its $40 billion winning bid ($22.57 a share) for Sky, Comcast is giving Fox and Disney a taste of their own medicine.

Comcast's victory presents a devastating blow to Fox. Fox holds 39 percent of Sky and Fox's Executive Chairman Rupert Murdoch had always hoped to take over the rest of Sky. In the growing landscape of video streaming, players like Netflix and Amazon are pushing viewers to abandon traditional cable television. As a result, traditional media companies like Comcast are strengthening their efforts to stay afloat. With its acquisition of Sky, Comcast will not only gain a stake in the streaming business through Sky's streaming option Now TV, but will also be able to diversify its business across international borders. Sky boasts an impressive and crucial twenty-three million paying subscribers across five European countries. Its strong portfolio in those markets includes original programming, a news channel, exclusive partnerships with HBO, Showtime, and Warner Bros. Studio, and an invaluable deal with the English Premier League of soccer. As a traditional broadcaster, Comcast will greatly benefit from both Sky's subscriber base and its creative content portfolio.

Comcast is not the only media company making bold moves to gain market share. The age of video streaming is marked by two distinct features: a subscription-based model of membership and the creation of original content. Since beginning to develop its own content in 2012, Netflix has proven to be a formidable player in successfully harmonizing the two features, creating a $142 billion empire. With Netflix's success, competitors will undoubtedly have to intensify efforts to focus on building competitive advantages across both features while still remaining profitable. From Amazon Video's distribution of its own original content for Prime subscribers to Apple's upcoming slate of original television shows, new players are targeting Netflix's market dominance. And for older companies like Comcast that are not built on subscription-based models of streaming original content, expensive mergers and acquisitions may be a necessary strategy for remaining competitive.