

Comcast corporation an external and internal environments analysis essay sample

[Media](#), [Television](#)



1. Introduction

Comcast Corporation was established in 1963 on the joint purchase of American Cable Systems (Associated Press, 2011). With a small starting base of US\$ 3 million in revenue during the 1970s, Comcast rapidly expanded to become the world's largest media company and the leading revenue generator in terms of content broadcasting and cable sectors (Fabrikant, 1990). Comcast is also one of the largest internet and television services providers in the U. S. Headquartered in Philadelphia, Pennsylvania, the company's key revenue channels include the followings: featured movies, TV programs and series, theatrical exhibition, cable TV channels (E-Entertainment, Golf Channel, NBCSN) and broadcasting, OTA national broadcasting channels (NBC, Telemundo), digital distribution, internet services provider, film production (Universal Pictures), and themed parks and resorts under the Universal brand name (Norman, 2012). Comcast's 2013 revenue and net profit reached US\$ 64. 6 billion and US\$ 6. 8 billion, growing 3. 3% and 9. 9% from 2012 respectively (Burke, 2013). The company's market share has been growing at a stunning rate, with 3. 5 million subscribers in 1994, 22 million by 2002 and over 30 million by 2014 (Heitner, 2014).

Comcast is operating in the media industry, a dynamic and rapidly-evolving industry characterized by intense level of competition and increasing number of substitutes due to the rise of information technology leading to the prevail of new communications and entertainment channels. In this industry, the traditional media sectors such as printing, music & records, and

movies are competing in an oligopoly model with limited number of market leaders. The television competitive landscape is classified as a monopoly, with Comcast being the market leader. However, the company's position is seriously threatened with newly emerged channels such as Facebook and Youtube. As the key revenue streams for companies like Comcast include advertising proceeds and viewers' direct purchase, the newly emerged competitors can possibly undermine the attractiveness of Comcast as a leading global media content provider, thus create adverse impacts on the company's business performance. This paper will provide a detailed analysis of the external and internal environments in which Comcast operates, focused on the cable TV channels broadcasting segment of Comcast's operation.

2. External environment

2. 1 Basic characteristics of the environment

Among the various sectors of the media industry, television broadcast and outdoor advertising content are forecast to have positive prospects into 2017, while radio and printed contents market size will continue to decline in the subsequent years (PWC Entertainment and Media Outlook report, 2013). The TV contents and subscriptions area is forecast to have a compounded annual growth rate (CAGR) of 2. 2% for the period 2012-2017, bringing the market size from US\$ 74. 4 billion to US\$ 83 billion. Similarly, the aggregate number of households will also increase from 101 million to 108 million. However, the number of cable subscriptions will decline, substituted by an increase in the number of satellite household subscriptions. Revenue

prospect for media companies is brighter than that of communications companies, with the key drivers include new emerging markets, new channels of digital distribution, and the bundled offer of media content, internet provider, and other services. Digital content and their distribution channels remain the key issue for media providers to innovate and compete against each other, especially on the mobile platforms. Media companies in this era will be required to constantly upgrade their technology expertise to remain competitive.

2. 2 PEST Analysis

This section will focus on the three factors groups most relevant to Comcast: political, social, and technological factors.

2. 2. 1 Political factors

Media providers currently face issues related to the revolution of digital content. For instance, there is the concern of copyrights and protected contents that have led to various numbers of lawsuits. Publishers and providers alike are required to be more cautious and follow stricter protocols to protect themselves against potential lawsuits and disputes related to the contents provided. Another concern is the increase in piracy and counterfeit contents, especially in less developed jurisdictions. Media providers are forced to take more precautions and spend more efforts on lobbying for political and regulations to protect their contents and consequently profits against piracy and intellectual violation. To navigate through complicated regulations and restrictions related to the cable industry, Comcast employs a

large team of hundreds lobbyists, with annual budget for lobbying activities reaching dozens of million dollars (Continetti, 2014).

2. 2. 2 Social factors

The major social factor impacting Comcast and other media companies is customers' changing lifestyle, especially among younger generations. Due to the rapid urbanization rate and economic downturn, people are generally working for longer hours, leading busier lifestyles, leaving less time for television channels and other forms of media and entertainment. Given this fast pace, the average citizens are having a tendency to switch to other newly emerging forms of entertainment which are more readily available and convenient, such as Facebook, Youtube, and other video news feeds. These conditions have negative impacts on the traditional method of news and content broadcasting via television. To handle the changing social environment and provide better service to customers, Comcast is focusing on the communications aspect, employing thousands of client service staff and technicians to provide timely communication and assistance to customers (Reardon, 2008).

2. 2. 3 Technological factors

The majority of content streaming is currently performed on mobile platforms such as smartphones and tablets. This trend requires media content providers to innovate their services, creating alternative medium on which customers can conveniently stream their contents.

2. 3 Competitor analysis

The major competitors of Comcast's include Verizon DSL, Verizon FiOS, Century Link Business, Dish, and AT&T Business. Comcast on average provides a more comprehensive package and bundle, at relatively higher prices. The tables below summarize Comcast's services against competitors (Comcast, 2014)

Comcast is following a differentiated strategy, with the objective of providing more services and quality to customers, in order to compete against other companies.

2. 4 Analysis of industry competition

To analyze the competition in a given industry, Michael Porter's Five Forces model is a useful tool to evaluate the industry's current conditions and measure a company's position and competitiveness in the market (Porter, 2008).

(Porter's Five Forces Model – Source: Notes Desk)

Rivals in the industry

As analyzed above, the media industry can be characterized as an oligopoly, with the TV broadcasting sector being close to a monopoly. To achieve this status, companies in the industry have gone through a large number of mergers and acquisitions to consolidate smaller competitors, gain greater market shares, and enjoy economies of scale (for example, Comcast's acquisition of 51% ownership in NBC Universal for US\$ 16.7 billion) (Shields, 2011). In this respect, the threat of current rivals is small as leading companies

such as Comcast enjoy a competitive advantage from their size. However, there is the potential of smaller competitors merging into a larger opponent that can directly compete against Comcast on the same level.

Bargaining power of suppliers

Comcast have to use a number of specialized equipment in their business, such as setup boxes, satellites, routers...in their business. As the equipment are highly specialized and can only be provided by a limited number of suppliers, Comcast have a certain degree of dependence on suppliers.

However, recent Comcast's acquisitions (for example, the NBC Universal deal above and the US\$ 45 billion proposal for Time Warner Cable) have enlarged the company's size and control on the market, and lowered the degree of dependence on suppliers. In other words, suppliers' bargaining power starts to decline as the company expands in size.

Bargaining power of customers

Similar to suppliers, customers are seeing declining bargaining power as companies like Comcast increases in size. With their network, power, and controls, Comcast can raise service prices for more revenue, wipe out smaller competitors, and set data limits which would require customers to pay more.

Threat of new entrants

This threat is minimized due to high barriers of entry to the industry (i. e. infrastructure and equipment investment costs, economy of scales, and the established network and customers' base of existing market leaders).

Threat of substitute products

This is the greatest challenge to Comcast and others in the media industry. As mentioned previously, the cable and satellite broadcasting sector, while still enjoys positive growth rates in the next few years, will encounter more difficulties as changing lifestyle pushed customers into other channels of media and entertainment, leaving less time and desire for these traditional channels.

2. 5 Analysis of future trends

In the future, viewers and audience of cable TV are expected to have more control over their contents, i. e. regarding the device, timing, and method of streaming and watching contents. Based on this phenomenon, the future trends for the cable industry and their impacts are listed below Trends

Impacts

Multi-platform environment

With the rapid development of handheld devices, televisions and cell phones, tablets...will co-exist as the main platforms for streaming and watching contents. The impact is that cable service providers should strive to increase convenience and comparability across platforms, make it easier for customers to use and switch among their devices Event-driven

Given the great availability of substitutes such as Youtube, Facebook, news channels, Netflix...customers are increasingly diverted away from the traditional cable TVs. To regain these customers, cable service providers can

concentrate on the broadcasting of big events, such as the Super Bowl, that can attract groups of viewers to watch the show together

3. Internal Analysis

After an overview of the environment in which Comcast operates, this section will analyze the internal environment of Comcast, focused on the company's value chain and Bowman's strategy clock analysis. Comcast's value chain is summarized in the diagram below:

(Source: The Bodhi Tree Group)

Regarding suppliers, Comcast sources its input materials and equipment through a number of major suppliers, ensuring competitive pricing and service quality (Christopher, 2005). The company attempts to establish long-term partnerships with its suppliers to promote strict quality control and environmental policies. The suppliers for Comcast are required to follow well-defined sets of rules pertaining environmental, safety, and resources concerns. Regarding inbound and outbound logistics and facilities, the company has headquarters in Philadelphia responsible for centralized management activities, alongside with 12 data centers and hundreds of warehouses nation-wide, each responsible for its own regional market. Each group of facility (warehouse and data center) is an integrated hub equipped with standardized technologies to ensure sufficient ability to cover the entire spectrum of value chain for Comcast. Employees at Comcast's various departments involved in the value chain (R&D, Technology, Product development, Procurement, Distribution, Sales and Marketing) are provided with sufficient training to improve their productivity.

This allows Comcast to save costs and enhance customers' satisfaction. Lastly, with respect to customers, Comcast is digitalizing its services, transport adapters, install kits, and billing to provide a more advanced and convenient experience for customers. This integrated model of value chain organization has two benefits: (i) In terms of distribution channel, apart from the installation equipment, Comcast's products can be set up by customers at home, thereby creating a virtual model of distribution and allowing Comcast to save costs; (ii) Regarding product segmentation, the modernized equipment and technologies provided put Comcast in the high-end segment of the market, creating a premium image associated with the company's brand name. The strategy clock developed by Bowman (1996), further elaborating on Michael Porter's competitive strategies (from 03 to 08), is helpful in evaluating the costs/prices and customers' perceived value combination for a certain business, and criticizing its success possibility (Friesner, 2011).

(Source: McGraw Hill Company, Inc.)

Comcast's cable TV channels broadcasting business model can be classified into group 4 (differentiation) (Das, 2007). As clarified in the competitors' analysis section, Comcast differentiated from other competitors and created higher perceived value on their customers based on the following strategies: provide a more diversified and comprehensive bundle of service to customers, digitalize the distribution, installation and customer service processes to enhance the customers' convenience and usage experience, and modernize the equipment and technologies provided for better quality.

While these value added activities come at a slightly higher price for customers, the value perception was improved significantly, helping Comcast achieve its leading market share in the industry.

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