

Netflix

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Streaming company cuts deal with Danish operator Wao, but Comcast exec says adding Netflix is 'not a high priority'

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Netflix is banking on getting on cable set-top boxes to hit aggressive growth targets in the next few years — but not every U.S. operator is eager to play ball with a company they view as a rival.

On Thursday, Danish broadband provider Wao announced a deal to add Netflix access to customers' set-tops. The pact is Netflix's third with a European operator, following similar agreements with the U.K.'s Virgin Media and Sweden's Com Hem.

"We'd rather make Denmark's best fiber broadband than try to make a streaming service to compete against the world's best," Wao CEO Anders Christjansen said in announcing the deal.

Operators in the States may not be of the same mind. In the U.S., Netflix has been actively exploring deals with operators, including Comcast, Time Warner Cable, Cox Communications and Charter Communications. (Netflix has a deal with Google Fiber, which currently offers service in

parts of the Kansas City market.)

Striking MSO distribution deals is a matter of finding the right business terms, according to Netflix CEO Reed Hastings. "I'm really hopeful we can do that with both Comcast and other people in the industry," he said on [the company's earnings call last week](#).

But Comcast, for one, is in no rush to add Netflix into the mix. "Our customers can receive Netflix in a number of ways, so it's not really a high priority for us," Comcast Cable president and CEO Neil Smit said on the company's earnings call Wednesday.

John Malone, whose Liberty Media owns a stake in Charter, has dismissed the notion that MSOs should pair up Netflix. At the company's annual investor day this month, he said [cable operators should team up to create a Netflix-like subscription VOD service](#), criticizing the industry for being slow to respond to over-the-top competitors.

Cable boxes represent the last TV-connected devices that Netflix is not available on. Netflix added 1.29 million net new streaming subscribers in the third quarter of 2013, to reach 31.1 million domestically.

Longer term, [Netflix projects](#) that it can be two or three times larger than HBO's current linear base — with 60 million to 90 million subs in the U.S. Hitting those numbers would likely require pay TV deals, to reach consumers who don't want a separate box for streaming Internet video.

For operators like Comcast, the benefit of adding Netflix chiefly lies in providing a one-stop-shop for all things video. The thinking goes like this: Cable customers are watching Netflix anyway on other devices, so why not plug the service so they don't have to switch over to an Apple TV or Roku?

Netflix also reinforces the value of cable's broadband services, and could provide a way for MSOs to upsell subscribers to higher-speed tiers. As with distribution deals with consumer-electronics makers, Netflix is offering to pay cable operators for new subscriber signups; according to cable industry sources, this potential incremental revenue stream isn't a major factor in determining whether they'll offer Netflix.

One sticking point for cable operators is that Netflix, as a condition of being added to a set-top, is requiring them to house caching servers in their data centers, under its Open Connect content distribution network. But MSOs object to that, saying that simply offloads Netflix's delivery costs to them with no real benefit to customers.

Netflix now positions itself as a "movie and TV series network" — like HBO or Showtime — with a mix of library and original content. But the company also says this in its [long-term view](#): "We are a relief from the complexity and frustration that embody most MVPD (multichannel video programming distributor) relationships with their customers."

To win over Comcast and other heavyweights, Netflix still has to convince them that it's a friend — not a foe.

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