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Are Verizon and Netflix a Match Made in Media Heaven?



Spending money to watch TV is so 20th century. Today, more and more people are chucking their cable and satellite TV service to watch their favorite shows and movies through the internet, in a process industry folks are calling “cord-cutting.”

In a bid to stay competitive in this growing market, Verizon, the old-landline-turned-cell-phone-turned-fiber-optic-cable-and-internet giant, is rumored to be sniffing around Netflix, the digital home movie giant. So, will such a tie-up save you money, or will it just end up costing you more dough down the road?

Americans are on Media Overload

It seems like we are on media overload. Adults now spend 11 hours and 33 minutes each day consuming media through a variety of sources, both digital and print, according to EMarketer. That’s half our day! It costs money to fuel this addiction to all things digital and it usually shows up in a myriad of bills each month – from your cell phone bill, to your cable bill, to your internet data bill for your new iPad.

The lines between all these media sources have started to blur over the years. Your telephone company may now also be your cable provider, while your cable provider might be your new internet provider. In an effort to save time and money, consumers are increasingly choosing to “bundle” all their media services into one clean package. The average consumer that chooses to bundle their telephone, internet and cable bills saves around \$ 40 to \$ 50 on their monthly bill, according to Centris.

Bundling Services vs. Cutting the Cord

Even with those savings, there is a growing number of Americans who still find cable to be too expensive. Bundled cable bills, after all taxes and fees, could be costing you anywhere between \$ 100 and \$ 150 a month. Add in your cell phone bill, say for your snazzy new iPhone, and you could easily be paying \$ 250 a month on media each month.

Some consumers are choosing to ditch the bundle and cut the cords, relying on their cell phone and internet connection to give them their media fix. So far, 5% of US households have cut the cord, with the vast majority saying they made the move for economical reasons. Who can blame them?

If they have a blazing fast connection, they could watch all the movies they want on Netflix for around \$ 8 a month. Amazon.com lets its “Prime” customers watch old TV shows and movies online for free. And now most of

the TV networks are putting their hottest shows online, allowing customers to watch TV through websites like Hulu.

Will a Verizon and Netflix Tie-up Save You Money?

Verizon is keen to capture this growing market of cordless Americans. This week came rumors that it was in talks to acquire digital home movie darling Netflix. Verizon has plenty of cash to do a deal and Netflix shareholders seem to be growing weary of the current management. So, a deal isn't that far-fetched.

The jury is still out on whether such a tie-up will save you money. Sources close to Verizon say that the company is looking to offer Netflix to areas that aren't already wired for its fiber-optic cable and internet service, Fios. This would allow Verizon to capture millions of consumers under its umbrella without the need to spend billions of dollars laying new fiber. Verizon's chief executive said this month that the company has stopped wiring new areas for Fios. Is this a coincidence?

Media analysts say that Verizon will probably price its service to be competitive against rising digital media giants, like Amazon.com. That would probably mean that the amount of money you spend each month on home movie rentals could remain level in a Verizon takeover. It could possibly even come down. Verizon's heft will probably allow it to strike better deals with programmers and studios, allowing them to offer more content to its customers, on both its Fios and Netflix platforms, at potentially lower prices.

So, what will you do with all of that extra money? Judging by all these media studies, you'll probably just go and consume more media.

Cyrus Sanati is a freelance financial journalist whose work has appeared in dozens of leading publications, including The New York Times, BreakingViews.com, and WSJ.com. Follow Cyrus on Twitter @csanati.

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