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COMPANY PROFILE

Cox Communications, Inc.

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COMPANY OVERVIEW

Cox Communications, Inc. (Cox or "the company") is a privately-held broadband communications and entertainment company. The company is a wholly-owned subsidiary of Cox Enterprises, a private media company. Cox offers advanced digital video, internet and telephone services over its own nationwide internet protocol (IP) network. The company primarily operates in the US, where it is headquartered in Atlanta, Georgia and employs more than 20,000 people.

The company recorded revenues of $9,900 million in during the financial year ended December 2013 (FY2013).

The company is a privately held subsidiary of Cox Enterprises and is not obligated to release its annual report. Therefore financial details are not provided.

KEY FACTS

Head Office	Cox Communications, Inc. 1400 Lake Hearn Drive Atlanta Georgia 30319 USA
Phone	1 404 843 5000
Fax	
Web Address	http://www.cox.com/
Revenue / turnover (USD Mn)	9,900.0
Financial Year End	December
Employees	20,000

SWOT ANALYSIS

Cox Communications, Inc. (Cox or "the company") is a privately-held broadband communications and entertainment company. The company's multi-platform presence enhances the revenue generating opportunities and provides competitive advantage as the company enjoys multiple touch points and wider audience. However, the competitive pressure may adversely impact the company's revenues and margins.

Strengths	Weaknesses
Multiple platform offering is a competitive advantage Established market presence and strong recognition Bundling options to drive customer retention	Lack of scale as compared to peers Concentrated operations in the US Private ownership
Opportunities	**Threats**
Increased focus on cloud offerings Growing demand for time-shifted television Increasing advertising spending	Competitive pressure Extensive regulations

Strengths

Multiple platform offering is a competitive advantage

Cox offers content through multiple platforms. The company offers television (TV) and video services through several media including internet, tablets and mobile. Cox also offers video on demand content under the brand name of On DEMAND. This technology gives digital cable customers access to over 7,500 titles of movies and content. Cox through Cox TV Connect application allows customers to watch live TV on the iPad, iPhone and iPod touch and select Android tablets from anywhere in their homes. The company also offers Cox Connect application on Kindle, Google and Samsung tablets. The company operates TV Online, an online website that provides access to a library of TV and movie titles on demand. The company's presence across several platforms is a significant competitive advantage as other broadcasters like internet TV are usually restricted to a single platform. Therefore, the multi-platform presence enhances the revenue generating opportunities and provides competitive advantage as the company enjoys multiple touch points and thus wider audience.

Established market presence and strong recognition

The company has an established market presence in the US. Cox is the third largest cable and broadband company in the US and serves more than six million subscribers across the US. Strong market position provides the company a competitive advantage over its peers. The company also enjoys strong market recognition. According to industry sources, Cox Business is one of the largest providers of business Ethernet services in the US based on customer ports, and has been consistently recognized for its leadership among small/midsize business data service providers. Further, Cox is also the seventh largest voice service provider in the US and supports one million phone lines. Strong market recognition enables the company to acquire new customers.

Bundling options to drive customer retention

Cox has built a strong product portfolio over the years and this has enabled the company to take advantage of the surge in demand for bundled services. The company offers its bundle service under the brand name of Cox Bundle. Cox was the first company to deliver a three-product bundle of telephone, high-speed internet and digital cable TV over a single broadband network. In addition to the services it offers, Cox also offers Verizon Wireless services to its customers through strategic partnership. Consequently, the company has built a broad product portfolio. As the market expansion opportunities for the company's legacy services continue to tread the path of stagnation, the company has bundled its service offerings to create a value proposition for its customers. The company's customers can bundle services such as telephone, high-speed internet and digital cable TV. The associated proposition of receiving multiple services from a single company will enhance the customer retention. Bundling of services also brings about the cross-selling advantages. Cox's ability to offer multiple products owing to its wide product portfolio will have a positive impact on the customer retention and will also increase the average spend by the customers.

Weaknesses

Lack of scale as compared to peers

The company has small scale of operations when compared to its competitors in the market. Cox competes with many domestic competitors such as Comcast and Verizon which have higher scale than the company. For instance, Comcast recorded revenues of $64,657 million in FY2013. Its other competitor, Verizon recorded revenues of $120,550 million in FY2013. Comparatively, the company recorded revenues of $9,900 million during FY2013. Lack of scale limits the company's ability to compete effectively with its competitors.

Concentrated operations in the US

Cox primarily depends in the US operations for a majority of its revenues. The geographic concentration places the company at an increased risk of political and economic regional uncertainties. Also the company's dependence on the mature market of the US for substantial portion of its revenues may restrict its growth opportunities. The concentrated geographical presence of the company increases its business risks and negatively impacts the financial position of the company.

Private ownership

Cox is a privately held company, which places it in an unfavorable position as compared to publicly held companies in terms of raising capital. Publicly held corporations have greater financial flexibility in funding organic and inorganic initiatives. Public companies, besides having better access to capital markets, could fund acquisitions through stock transactions. Private ownership restricts financing options available to the company.

Opportunities

Increased focus on cloud offerings

The worldwide demand for cloud computing services is expected to record strong growth in coming years. Cloud computing is a computing infrastructure model, which enables delivery of SaaS. This reduces the upfront royalty or licensing payments, investment in hardware and other operating expenses. According to industry estimates, spending on public IT cloud services is expected to grow from $47 billion in 2013 to $107 billion in 2017, representing a compound annual growth rate (CAGR) of over 23% during that period. SaaS is expected to be the largest public IT cloud services category, capturing approximately 60% of revenues in 2017. With the growth in the adoption of cloud computing services, the providers are expected to gain revenues from SaaS, platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) in the medium term.

The company has been focused on enhancing its cloud offerings to the customers. For instance, in March 2014, Cox Business, the company's enterprise business unit, launched Essential Cloud, a suite of cloud-based business applications for small businesses. In August 2013, Cox Business formed a strategic partnership with ViaWest, a colocation services provider in North America, to offer secure fiber network connectivity along with compliant colocation and cloud infrastructure solutions to the enterprise customers.

Increased focus on cloud offerings and the positive outlook for the end market will further increase the demand for Cox's offerings and boost its revenues in the coming years.

Growing demand for time-shifted television

The DVR penetration in the US is rising and the time spent viewing DVR playback has also been on a rise. By the end of 2013, about 50% of the US households have a DVR. Further the trend of owning more than one DVR is also increasing consistently. According to industry estimates, at the end of 2013, about 23% of the households with DVR had more than one DVR. DVR households consume more television, spending 18% more time with the TV than non-DVR homes. Owing to the increased penetration and increased preference for time shifted viewing of television, the time spent watching time shifted TV increased by 10% in 2013. The preference for time shifted TV is likely to continue to grow at a steady pace. Cox is poised to capture audience in this segment with its DVR offering.

Increasing advertising spending

The outlook for the advertisement market is robust. According to industry estimates, the spending on ads served to internet-connected devices including desktop and laptop computers, mobile phones and tablets is expected to reach a value of $137 billion by 2014. Moreover, the market is expected to grow robustly in the coming years. According to industry estimates, the global digital ad spending is expected to reach $204 billion in 2018 growing at a CAGR of 10% during 2014-18 periods. Moreover, the digital ad spending in the US is expected to grow at 14.4% during 2014. Similarly the television ad spending is expected to grow at 8.3%.

The company is poised to benefit from the growing ad spending over digital and television media. The company offers a range of advertising products, including advanced on-air cable and online digital advertising products through its Cox Media. The increasing advertising spending would drive revenue growth in the future. Further, Cox's strong presence in the US would make it a desirable medium for the advertisers.

Threats

Competitive pressure

Cox operates in a highly competitive industry. The company faces intense competition from various alternative information and entertainment delivery sources, principally from direct-to-home satellite video providers and certain telephone companies. Cox's video services face competition from direct broadcast satellite (DBS) services, such as DISH Network and DirecTV Group (DirecTV). The company's video, high-speed data and digital phone services face competition from the video, digital subscriber line (DSL), wireless broadband and traditional and wireless phone offerings of AT&T and Verizon Communications. It also faces competition from companies such as CBS, Comcast, CenturyLink and Charter Communications.

In addition, Cox's video services face competition from several sources, including companies that deliver movies, TV shows and other video programming over broadband internet connections, as well as online order services with mail delivery, and video stores and home video services. Intense competition may adversely impact the company's revenues and margins.

Extensive regulations

The television, radio and internet markets in the US are highly regulated by the US federal laws and regulations issued and administered by various federal agencies, including the Federal Communications Commission (FCC). The TV and radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act of 1934, as amended. For example, the company is required to obtain licenses from the FCC to operate its radio and TV stations with a maximum tenure of eight years.

Further, the Communications Act prohibits cable operators from retransmitting commercial TV and low power TV signals without obtaining the broadcaster's consent. This permission is commonly referred as 'retransmission consent' and may involve some compensation from the cable company to the broadcaster for the use of the signal. The adoption of new laws or regulations or changes to the existing regulatory framework has the potential to adversely impact business plans. For instance, the development of new technology such as super high-speed broadband and video may be subject to conflicting regulation between the FCC and various state and local authorities, which may significantly escalate the cost of implementing and introducing new services based on this technology. Unforeseen changes in the regulatory framework may adversely affect the company's business prospects or results of operations.