



Movin' Out

In 1977, Billy Joel released the album *The Stranger*. Readers of a certain age will no doubt recall many of the songs on the album, including *Just the Way You Are* (not the Bruno Mars version, for those of a different age), *She's Always a Woman*, and the first song on the album *Movin' Out (Anthony's Song)*. *The Stranger* sold over 10 million copies, which is only slightly fewer than the approximately 12 million households that had a pay-TV service via cable at the time.

the most common “jump ball” opportunity for someone to potentially switch providers. **More recently, moving has increasingly become a time when a decision is made about whether or not a pay-TV service is needed in the household at all.**



Did You Know ...

10% of all pay-TV subscribers moved in the past year – compared to 17% of non-subscribers

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Forty years later, 10-million-selling albums are virtually nonexistent – unless your name is Adele – and pay-TV is in approximately 95 million households. As the number of pay-TV subscribers has gradually declined from its peak five years ago, one-time subscribers who have left the category have drawn attention. **As part of the analysis of changes in the pay-TV industry, it is beneficial to look at**

the impact of those who are moving out of their homes.

When people move, they make many decisions regarding what products and services they want to have in their new households. Traditionally, one of these decisions was what type of pay-TV service they wanted. Moving presented

LRG's recently completed study, *Pay-TV in the U.S. 2017*, found that **12% of adults moved in the past year**. The study also found significant demographic differences among movers:

- **24% of ages 18-34 moved in the past year – compared to 7% of ages 35+**
 - Ages 18-34 account for 56% of adults that moved in the past year
- 18% with annual household incomes <\$50,000 moved in the past year – compared to 10% with household incomes >\$50,000

Data from the US Census Bureau's *Current Population Survey* corroborates the findings of the LRG survey, and reveals that among those that relocated in the U.S., moves were most commonly among renters, and within the same county:

- 22% in renter-occupied units moved within the U.S. in the past year – compared to 5% living in owner-occupied units
 - **Renters account for 70% of those that moved within the U.S. in the past year**
- 64% moved within the same county, 22% to another county within the same state, and 14% to a different state

The demographics of movers – being younger, renters, and comparatively lower income – reflect segments of the population that are comparatively less likely to subscribe to a pay-TV service. In addition, since these groups tend to have a lower lifetime value for pay-TV, they are increasingly being shunned by providers that are now seeking to acquire and retain “higher quality” subscribers.



Did You Know ...

30% of those that moved in the past year expect to move again in the next year

Given these dynamics, LRG’s study found that:

- **30% of adults in TV households that moved in the past year do not currently subscribe to a pay-TV service** – compared to 20% that did not move in the past year
- 27% of movers that are currently non-subscribers had a pay-TV service in the past year, and 65% have had pay-TV at home at some time in the past

In addition, while movers have traditionally been more likely than non-movers not to get a pay-TV service, **the rate of movers that do not get a pay-TV service is higher than in any previous year.** (The rate of movers who were non-subs was 22% in 2014, 17% in 2011, and 16% in 2008.)

But before we assume that this group of movers has “cut the cord,” it’s important to note that status as a non-subscriber is not necessarily permanent. The study also found that 7% of all current pay-TV subscribers, including 19% of pay-TV subscribers that moved in the past year, say that their household did not subscribe to a service for more than a month over the past two years.

Movers that are currently non-subs in many cases may be deferring the decision to get a service; we can call them “cord-deferrers,” in line with related industry labels. **A challenge is that the longer these households postpone the decision to get a pay-TV service, the more accustomed they may become to cobbling together viewing options that do not include pay-TV.**

As we look at movers, a key question is whether they are moving out of pay-TV temporarily, or whether they are increasingly likely to become permanent strangers to pay-TV.

79% of TV Households Subscribe to a Pay-TV Service

Leichtman Research Group, Inc. found that about 79% of TV households nationwide subscribe to some form of pay-TV service. The percentage of TV households that subscribe to a pay-TV service is down

from 84% in 2014, 88% in 2010, and 81% in 2004.

Among TV households that do not currently subscribe to a pay-TV service, about two-thirds were former pay-TV subscribers, while one-third never had pay-TV. Overall, about 7% of TV households subscribed to a pay-TV service in the past three years, 7% last subscribed to pay-TV over three years ago, and about 7% never subscribed to a pay-TV service.

These findings are based on a telephone survey of 1,201 households from throughout the United States, and are part of a new LRG study, *Pay-TV in the U.S. 2017*. This is LRG's fifteenth annual study of this topic.

Other related findings include:

- 29% of TV households with annual incomes <\$50,000 do not subscribe to a pay-TV service, compared to 16% with household incomes >\$50,000
- 39% using one TV at home are non-subscribers – compared to 24% using two TVs, and 12% using three or more TVs
- 10% of non-subscribers plan to subscribe to a pay-TV service in the next six months – including 24% that had a pay-TV service in the past year, 7% that subscribed over a year ago, and 7% that never subscribed
- 13% of pay-TV subscribers are likely to switch in the next six months – compared to 12% in 2016 and 11% in 2012
- Mean reported monthly spending on pay-TV service among subscribers is about \$106 – an increase of 3% in the past year

- 92% of TV households have a pay-TV service and/or an over-the-air antenna – compared to 94% in 2015

About 79% of households that use a TV currently subscribe to a pay-TV service. This is down from the peak in pay-TV penetration at the start of the decade, and represents the first time since the early 2000s that fewer than four-in-five TV households get a pay-TV service. The decline in pay-TV penetration is not solely a function of recent disconnects. Among those that do not currently get a pay-TV service, about one-third subscribed in the past three years, one-third subscribed over three years ago, and one-third never subscribed.



Did You Know ...

Combined, Sling TV and DIRECTV NOW added about 1,220,000 subscribers over the past year

Major Pay-TV Providers Lost About 655,000 Subscribers in 2Q 2017

Leichtman Research Group, Inc. found that the largest pay-TV providers in the US – representing about 95% of the market – lost about 655,000 net video subscribers in 2Q 2017, compared to a loss of about 715,000 subscribers in 2Q 2016.

The top pay-TV providers account for 92.6 million subscribers – with the top six cable companies having 48.4 million video subscribers, satellite TV services over 32.7 million subscribers, the top telephone companies 9.5 million

subscribers, and the top Internet-delivered pay-TV services having about 1.9 million subscribers.

Key findings for the quarter include:

- The top six cable companies lost about 190,000 video subscribers in 2Q 2017 – compared to a loss of about 225,000 subscribers in 2Q 2016
 - Top MSO net losses were the fewest in any second quarter since 2006
- Satellite TV services lost about 435,000 subscribers in 2Q 2017 – compared to a gain of about 15,000 subscribers in 2Q 2016
 - DBS net losses were more than in any previous quarter
- The top telephone providers lost about 270,000 video subscribers in 2Q 2017 – compared to a loss of about 550,000 subscribers in 2Q 2016
 - Traditional pay-TV services (not including Internet-delivered services) lost about 895,000 subscribers in 2Q 2017 – compared to a loss of about 760,000 in 2Q 2016

The pay-TV market lost about 665,000 subscribers in the traditionally weak second quarter, with overall net losses slightly lower than in last year's second quarter. While satellite TV services, DIRECTV and DISH, had more combined net losses in 2Q 2017 than any previous quarter, these losses were partially offset by gains from their Internet-delivered flanker brands, DIRECT NOW and Sling TV. These Internet-delivered services (along with those that do not publicly report results) are now clearly part of providers' segmentation strategies and consumers' pay-TV options.



Did You Know ...

33% of Netflix streaming users agree that they now watch their pay-TV service less often – up from 22% in 2011

About 230,000 Added Broadband in 2Q 2017

Leichtman Research Group, Inc. found that the fourteen largest cable and telephone providers in the US – representing about 95% of the market – acquired about 230,000 net additional high-speed Internet subscribers in 2Q 2017.

These top broadband providers now account for 94.1 million subscribers – with top cable companies having 59.9 million broadband subscribers, and top telephone companies having 34.2 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 2Q 2017 were 107% of those in 2Q 2016
- The top cable companies added about 460,000 subscribers in 2Q 2017 – 84% of the net additions for the top cable companies in 2Q 2016
- The top telephone companies lost about 230,000 subscribers in 2Q 2017 – compared to a loss of about 340,000 broadband subscribers in 2Q 2016
 - Each of the top Telco providers had net broadband losses in 2Q 2017

- Over the past year, there were about 2,550,000 net broadband adds – compared to about 3,000,000 over the prior year

Cable companies added about 3.1 million broadband subscribers over the past year, while Telcos had net losses of about 550,000 subscribers. At the end of 2Q 2017, cable had a 64% market share vs. 36% for Telcos. The broadband market share for cable is now at the highest level it has been since the first quarter of 2004.

64% of U.S. Households Have an SVOD Service

Leichtman Research Group, Inc. found that 64% of all US households have a subscription video on-Demand (SVOD) service from Netflix, Amazon Prime, and/or Hulu – up from 47% in 2014. Among those who have an SVOD service, 51% have more than one of these services – up from 35% in 2014.

Use of SVOD has also increased in recent years. Daily, 29% of all adults stream an SVOD service – up from 16% in 2015. Younger adults are the most active streamers, with 51% of all ages 18-34 streaming an SVOD service daily – up from 33% in 2015.

These findings are based on a survey of 1,207 TV households nationwide and are part of a new LRG study, *Emerging Video Services XI*. This is LRG's eleventh annual study on this topic.

Other findings include:

- 62% of pay-TV subscribers have an SVOD service – compared to 72% of pay-TV non-subscribers with a TV
- 83% with an SVOD service have Netflix
- 75% with Netflix also have a pay-TV service – compared to 85% in 2012
- 43% of adults watch video on non-TV devices (including home computers, mobile phones, iPads, tablets, and eReaders) daily – up from 33% in 2015, and 18% in 2012
- 74% of adults who watch video on mobile phones usually watch video on their mobile phones at home, and 87% of those who watch video on an iPad/tablet or eReader usually watch at home

Nearly two-thirds of all households now have an SVOD service, and over half of this group has more than one of the major SVOD services. With the increased prevalence of SVOD in consumers' households, 29% of adults now stream an SVOD service daily, up from 16% just two years ago.

Industry by the Numbers

Top Pay-TV Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 2Q 2017	Net Adds in 2Q 2017
Comcast	22,516,000	(33,000)
Charter*	17,071,000	(76,000)
Altice	3,463,000	(37,000)
Mediacom	829,000	(3,000)
CableONE**	297,990	(9,197)
Other major private company***	4,245,000	(30,000)
Total Top Cable	48,421,990	(188,197)
<i>Satellite Services (DBS)</i>		
DIRECTV	20,856,000	(156,000)
DISH-DBS^	11,892,000	(281,000)
Total DBS	32,748,000	(437,000)
<i>Phone Companies</i>		
Verizon FiOS	4,666,000	(15,000)
AT&T U-verse	3,853,000	(195,000)
Frontier	1,007,000	(58,000)
Total Top Phone	9,526,000	(268,000)
<i>Internet-Delivered</i>		
Sling TV^	1,440,000	85,000
DIRECTV NOW	491,000	152,000
Total Internet-Delivered	1,931,000	237,000
Total Top Pay-TV	92,626,990	(656,197)

Sources: The Companies and Leichtman Research Group, Inc.

* Charter includes a change in the seasonal customer program for former Bright House properties

** Cable ONE does not include the NewWave acquisition in May 2017

*** Includes LRG estimate for Cox

^ DISH reports combined DBS and Sling TV subscribers, the individual counts for DISH and Sling TV are LRG estimates

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 95% of all subscribers

Top cable does not include overbuilder WOW with 458,200 subscribers

Internet-delivered does not include PlayStation Vue, Hulu with Live TV, or YouTube TV which have not publicly reported sub totals

Net additions reflect pro forma results from system sales and acquisitions, and reporting adjustments -- therefore, comparing totals in this quarter's Notes to prior Notes may not produce accurate findings

Top Broadband Internet Providers in the U.S.

Cable Companies	Subscribers at End of 2Q 2017	Net Adds in 2Q 2017
Comcast	25,306,000	175,000
Charter	22,318,000	267,000
Altice	4,004,000	2,000
Mediacom	1,185,000	6,000
WOW (WideOpenWest)	727,600	(1,400)
Cable ONE*	521,724	(1,603)
Other Major Private Companies**	4,845,000	15,000
Total Top Cable	59,907,324	461,997
Telephone Companies		
AT&T	15,686,000	(9,000)
Verizon	6,988,000	(23,000)
CenturyLink	5,868,000	(77,000)
Frontier	4,063,000	(101,000)
Windstream	1,025,800	(21,800)
Cincinnati Bell	307,100	(300)
FairPoint^	304,193	(1,160)
Total Top Phone	34,242,093	(233,260)
Total Top Broadband	94,149,417	228,737

Sources: The Companies and Leichtman Research Group, Inc.

* Cable ONE does not include the NewWave acquisition in May 2017

** Includes LRG estimate for Cox

^ FairPoint was acquired by Consolidated Communications in July 2017

Totals reflect pro forma results from system sales and acquisitions

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Top cable and telephone companies represent approximately 95% of all subscribers

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LRG

Leichtman Research Group

Leichtman Research Group, Inc.

www.LleichtmanResearch.com

(603) 397-5400