



The 2010s in Hindsight

Changes are often difficult to see as they are happening, or even on a quarterly or annual basis. With the benefit of additional time, the magnitude and impact of changes become clearer. As we enter 2020, now is an opportune time to review industry trends using the wider scope of the past decade.

In hindsight we are able to see that some technologies, products, and services emerged in the 2010s, and some that were nascent at the beginning of the decade have already reached maturity. The growth of these newer options provided consumers with increased choices and trade-offs with more traditional offerings. This in turn caused companies to adapt existing business models to meet these changes.

Below is a sampling of how a few market segments and trends evolved in the 2010s.

Broadband continued to grow

Based on pro forma results from the top sixteen broadband providers in the U.S. (representing about 96% of the market), **the top broadband providers began the decade with 72.8 million subscribers, and ended 3Q 2019 with 100.6 million subscribers.** (Note that about 6% of these broadband subscribers are non-residential.) Cable companies dominated the decade, accounting for 26.8 million of the 27.8 million broadband net additions

(not yet including 4Q 2019 results). This includes net broadband gains of over 11.5 million subscribers both for Comcast and for Charter in the 2010s.

The growth of broadband Internet services is not just in terms of the increase in the number of subscribers, but more so the growing reliance on broadband in the home. LRG's annual *Broadband Internet in the U.S.* studies found a significant increase in the time spent online at home, including the frequency of watching Internet-delivered video.

- Among adults with an Internet service at home, the mean time spent online at home is 3.7 hours per day – up from 2.4 hours per day in 2010
- 50% of adults with an Internet service at home watch video online daily – compared to 14% in 2010

Streaming devices and services emerged

Connected TV devices have played a major role in distributing Internet-delivered video in the home (typically via broadband connections). LRG's *Connected and 4K TV* studies found that **74% of all TV households have at least one connected TV device – up from 24% in 2010.** In addition:

- 31% of adults now watch video on a TV via a connected TV device daily – compared to 1% in 2010.

One of the key content sources driving connected TV devices are SVOD services (including Netflix, Amazon Prime, and Hulu). LRG's *Emerging Video Services* studies found that **74% of households have one of these three SVOD services – up from 47% in 2014.** This includes 62% of all households having Netflix, an increase from 16% in 2010.

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- Among Netflix streaming users, 85% report watching Netflix on a TV – compared to 77% in 2011
- 27% with Netflix agree that their subscription is shared with others outside their household – compared to 15% in 2014

The sharing of Netflix (as well as other services) creates a disparity between those that “have” the service, and those that pay for the service. Netflix reported having 60.6 million paying domestic streaming subscribers at the end of 3Q 2019, up 20.5 million at the end of 3Q 2011 (when the company first began breaking out streaming subscriptions), and 11.9 million total paying domestic subscribers at the start of the decade.

Video via non-TV devices expanded

The *Emerging Video Services* studies have also found a significant increase in video being watched on non-TV devices (including mobile phones, computers, tablets, and eReaders).

- **51% of adults now report watching video on a non-TV device daily – up from 14% in 2011**

This growth was spurred by smartphones expanding from about one-third of households in 2011 to over 85% by the end of 2019, and tablets increasing from about 10% of households in 2011 to about two-thirds of households at the end of the decade.

While these mobile devices enable people to watch video anywhere, the most common location for watching video on these non-TV devices continues to be in the home.

- Of those that watch video on their mobile phones, 76% typically watch video on their phone at home, and 89% of tablet or eReader video users typically watch video on these devices at home

The proliferation of these additional screens has had a limited impact on television sets and TV viewing.

The number of TVs used in the home has been steady for several years, and the amount of time that adults spent watching TV per day remained virtually unchanged throughout the decade.

Pay-TV peaked and declined

Pay-TV subscriptions peaked in the early part of the decade following the digital transition, along with increased competition to cable from satellite and Telco services. But, pay-TV subscriptions waned in the later part of the decade.

Based on pro forma results from the top pay-TV services in the U.S. (representing about 93% of the market), the **top pay-TV providers began the decade with 94.1 million subscribers, and ended 3Q 2019 with 84.8 million subscribers.** These providers peaked at 95.5 million subscribers in 1Q 2012, with over half of the net losses since that time coming in the past year (including AT&T accounting for over 60% of pay-TV net losses in the past year).

LRG’s *Pay-TV in the U.S.* studies found that three-quarters of TV households now get a pay-TV service, a decline from 88% in 2010. Yet, the pace of change is not consistent across the board. The combination of some consumers choosing more economical options that suit their viewing needs, with an increased focus from providers on higher-value subscribers, has resulted in pay-TV declines among younger individuals, non-homeowners, and lighter viewers to have accelerated at a faster rate than others.

The 2020s will surely bring further innovation, but this will also be the decade when consumers increasingly juggle the new options they now have, and companies continue to adjust their offering and business models to address the marketplace that emerged in the 2010s.

85% of U.S. Households get an Internet Service at Home

New consumer research from Leichtman Research Group, Inc. found that 85% of U.S. households get an Internet service at home, compared to 84% in 2014 and 80% in 2009. Broadband accounts for 96% of households with an Internet service at home, and 82% of all households get a broadband Internet service – an increase from 79% in 2014 and 71% in 2009.

In addition, 81% of adults access the Internet on a smartphone (and an additional 1% access the Internet on another type of mobile phone), up from 63% in 2014. Overall, 75% of households now get Internet service both at home and on a mobile phone, an increase from 59% in 2014.

These findings are based on a telephone survey (including landline and mobile phone calls) of 1,121 households nationwide and are part of a new LRG study, *Broadband Internet in the U.S. 2019*. This is LRG's seventeenth annual study on this topic.

Other related findings include:

- 10% of households only get Internet service at home – compared to 25% in 2014
- 50% not online at home access the Internet on a mobile phone (and an additional 2% access the Internet on another type of mobile phone), representing 8% overall
- 86% of households use at least one laptop or desktop computer – 93% of this group get an Internet service at home
- 54% of those not online at home do not use a laptop or desktop at home

It is most common for home Internet service to be complemented by Internet service on a mobile phone. Three-quarters of households now get Internet service both at home and on a mobile phone, while the segment opting to solely access the Internet on a mobile phone has plateaued.



Did You Know ...

38% that do not get an Internet service at home (and are not planning to subscribe) cite a lack of need as the main reason for not getting an Internet service at home – followed by 24% cost, 10% availability, and 6% access to the Internet via a mobile phone

75% of TV Households Subscribe to a Pay-TV Service

New consumer research from LRG found that 75% of TV households nationwide subscribe to some form of live pay-TV service. The percentage of TV households that subscribe to a live pay-TV (cable, satellite, Telco, or Internet-delivered) service is down from 84% in 2014, 87% in 2009, and 81% in 2004.

Mean reported spending on pay-TV service among subscribers is \$109.60 per month, an increase of about 6% since 2016. Including non-subscribers, mean spending on pay-TV across all households is about \$80 per month, a figure that is slightly lower than the per household spending in 2015.

These findings are based on a telephone survey (including landline and mobile phone calls) of 1,115 households nationwide and are part of a new LRG study, *Pay-TV in the U.S. 2019*. This is LRG's seventeenth annual study on this topic.

Other related findings include:

- 60% of pay-TV subscribers have a bundle of services from a provider – compared to 67% in 2014
- 83% of adults ages 45+ have a pay-TV service – compared to 64% of ages 18-44
- 87% of households with three or more TVs have a pay-TV service – compared to 75% with two TVs, and 52% with one TV
- 47% of all TV sets in use have a pay-TV providers' set-top box – marking the first year since 2010 that set-tops have been connected to less than half of all TVs
- 27% of TV households have an over-the-air TV antenna – including 53% among pay-TV non-subscribers
- 54% of TV households have both a pay-TV service and an SVOD service, 21% only have a pay-TV service, 20% only have an SVOD service, and about 5% have neither pay-TV nor SVOD

Three-quarters of households that use a TV currently subscribe to a pay-TV service. This is similar to the total receiving an SVOD service.

With more options for watching live and on-Demand video, consumers are increasingly choosing to cobble together the services that meet the viewing and economic needs of their household.



Did You Know ...

43% of adults with an Internet service at home purchase a product online at least weekly, and 88% at least monthly

Top Broadband Providers Surpass 100 Million Subscribers

Leichtman Research Group, Inc. found that the largest cable and telephone providers in the U.S. – representing about 96% of the market – acquired about 605,000 net additional broadband Internet subscribers in 3Q 2019, compared to a pro forma gain of about 600,000 subscribers in 3Q 2018.

These top broadband providers now account for about 100.6 million subscribers, with top cable companies having 67.1 million broadband subscribers, and top telephone companies having 33.5 million subscribers.

Key findings for the quarter include:

- Overall, broadband additions in 3Q 2019 were 101% of those in 3Q 2018
- The top cable companies added about 830,000 subscribers in 3Q 2019 – 114% of the net adds for the top cable companies in 3Q 2018
- The top telephone companies had a net loss of about 225,000 subscribers in 3Q 2019 – more net losses than in any quarter except 2Q 2016
- At the end 3Q 2019, cable had a 67% market share vs. 33% for Telcos – compared to 64% cable vs. 36% Telco at the end of 3Q 2017

With the addition of 605,000 subscribers in the quarter, the top broadband Internet providers in the U.S. cumulatively account for over 100 million subscribers for the first time ever. These top providers had about 5 million net broadband additions over the past two years, with top cable companies adding about 5.9 million broadband subscribers, and top Telcos having a net loss of about 950,000 subscribers.

Major Pay-TV Providers Lost About 1,740,000 Subscribers in 3Q 2019

Leichtman Research Group, Inc. found that the largest pay-TV providers in the U.S. – representing about 93% of the market – lost about 1,740,000 net video subscribers in 3Q 2019, compared to a pro forma net loss of about 975,000 subscribers in 3Q 2018.

The top pay-TV providers now account for about 84.8 million subscribers – with the top seven cable companies having 46.1 million video subscribers, satellite TV services 26.3 million subscribers, the top telephone companies 8.6 million subscribers, and the top publicly reporting Internet-delivered (vMVPD) pay-TV services 3.8 million subscribers.

Key findings for the quarter include:

- Satellite TV services lost about 1,140,000 subscribers in 3Q 2019 – compared to a net loss of about 725,000 subscribers in 3Q 2018
 - DIRECTV had record net losses for the sixth consecutive quarter, while DISH TV had fewer net losses than in any quarter since 3Q 2014
- The top seven cable companies lost about 410,000 video subscribers in 3Q 2019 – compared to a loss of about 245,000 subscribers in 3Q 2018
- The top telephone providers lost about 210,000 video subscribers in 3Q 2019 – compared to a loss of about 80,000 subscribers in 3Q 2018
- Internet-delivered (vMVPD) services, Sling TV and AT&T NOW, added about 20,000 subscribers in 3Q 2019 – compared to about 75,000 net adds in 3Q 2018

- AT&T had a net loss of about 1,370,000 subscribers across its three pay-TV services (DIRECTV, AT&T Universe, and AT&T NOW) in 3Q 2019 – compared to a net loss of about 295,000 subscribers in 3Q 2018

The top pay-TV providers had a net loss of about 1,740,000 subscribers in 3Q 2019. This marked the fifth consecutive quarter of record pay-TV industry net losses.

AT&T, the leading pay-TV provider in the U.S., accounted for 79% of the net losses in the quarter compared to 30% of net losses in 3Q 2018. This change is largely the result of AT&T's strategic decision to increasingly focus on retaining and acquiring more profitable subscribers.



Did You Know ...

61% of households subscribe to both a pay-TV service and a broadband Internet service at home – compared to 69% in 2010

Industry by the Numbers

Top Pay-TV Providers in the U.S.

Cable Companies	Subscribers at end of 3Q 2019	Net Adds in 3Q 2019
Comcast	21,403,000	(238,000)
Charter	16,245,000	(75,000)
Cox*	3,900,000	(40,000)
Altice**	3,223,400	(31,900)
Mediacom	729,000	(18,000)
Atlantic Broadband	312,555	5,294
Cable ONE	298,063	(10,430)
Total Top Cable	46,111,018	(408,036)
Satellite Services (DBS)		
DIRECTV [^]	16,828,000	(1,073,000)
DISH TV	9,494,000	(66,000)
Total DBS	26,322,000	(1,139,000)
Phone Companies		
Verizon FiOS	4,280,000	(66,000)
AT&T U-verse [^]	3,600,000	(104,000)
Frontier	698,000	(40,000)
Total Top Phone	8,578,000	(210,000)
Internet-Delivered (vMVPD)		
Sling TV	2,686,000	214,000
AT&T NOW ^{^^}	1,145,000	(195,000)
Total Top vMVPD	3,831,000	19,000
Total Top Pay-TV	84,842,018	(1,738,036)

Sources: The Companies and Leichtman Research Group, Inc.

* LRG estimate

** Altice adjusted subscriber totals for quarters prior to 3Q 2019

[^] AT&T combines totals for DIRECTV and U-verse into "Premium TV" – separate results are LRG estimates

^{^^} The DIRECTV NOW brand name was changed to AT&T NOW in 3Q 2019

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 93% of all subscribers

Top cable companies do not include overbuilder WOW with 380,800 subscribers

Internet-delivered (vMVPD) does not include Hulu with Live TV, YouTube TV, PlayStation Vue, or others

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 3Q 2019	Net Adds in 3Q 2019
Comcast	28,186,000	379,000
Charter	26,325,000	380,000
Cox*	5,145,000	25,000
Altice**	4,180,300	14,900
Mediacom	1,316,000	13,000
WOW (WideOpenWest)	773,900	10,200
Cable ONE	689,138	7,376
Atlantic Broadband	446,137	2,441
Total Top Cable	67,061,475	831,917
Telephone Companies		
AT&T	15,575,000	(123,000)
Verizon	6,961,000	(7,000)
CenturyLink	4,714,000	(36,000)
Frontier	3,555,000	(71,000)
Windstream	1,040,000	5,700
Consolidated	784,151	1,143
TDS [^]	437,700	4,300
Cincinnati Bell	425,100	(400)
Total Top Phone	33,491,951	(226,257)
Total Top Broadband	100,553,426	605,660

Sources: The Companies and Leichtman Research Group, Inc.

* LRG estimate

** Altice adjusted subscriber totals for quarters prior to 3Q 2019

[^] TDS includes 262,800 wireline broadband subscribers, and 174,900 cable broadband subscribers

Company subscriber counts may not solely represent residential households

Top cable and telephone companies represent approximately 96% of all subscribers

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 finding



LRG

Leichtman Research Group

Leichtman Research Group, Inc.
www.LeichtmanResearch.com
(603) 397-5400