



## Two Years (and Counting)

**O**n March 11, 2020, Utah Jazz center Rudy Gobert tested positive for the coronavirus. The Jazz game against the Oklahoma City Thunder that night was postponed, and the NBA then suspended the season for all teams. This coincided with the day the WHO officially classified the coronavirus outbreak as a pandemic, and the beginning of a string of postponements and shutdowns that established its reality in the U.S. and around the world.

As we approach the second anniversary of its inauspicious start, many solemn

consequences of the pandemic linger. Some less solemn, but still striking, impacts concern usage patterns of the Internet and related services. Although these have been well documented, the start of the new year is an ideal time to recount some of the changes in the industry over the past two years.

Historically, change tends to be evolutionary rather than revolutionary.

Things gradually change over time, and when we look back, we see a different landscape than years earlier. However, **the pandemic tended to accelerate the pace of change, creating an aberrational “pull-forward” impact on consumer behaviors and subscriptions**, which in some cases are beginning to readjust.

The broadband market in the U.S. exemplifies change that occurred due to the pandemic. LRG’s tracking of the top broadband providers in the U.S. finds that the industry had about 2.5 million net subscriber additions in 2018, and 2.5 million again in 2019. **Then with the pandemic in 2020, the top broadband providers added nearly 4.9 million subscribers, the most in any year since 2008.**

Through the first three quarters of 2021, top providers added 2.5 million subscribers, a decline from 2020, but still projecting 2021 to have the most net adds of any year other than 2020 in over a decade. Given the increasing level of broadband penetration in the U.S. (further addressed in these Research Notes), **it should not be surprising that broadband net adds would begin to return to pre-pandemic levels.**

A related trend is seen in Netflix’s subscriber totals in North America. In 2018, Netflix had about 6.3 million net streaming additions in the U.S. and Canada. In 2019, Netflix’s net adds slowed to 2.9 million, including about 1 million in the last three quarters of the year. But, **with the onset of the pandemic, Netflix had over 5.2 million net adds in the first half of 2020**, and nearly 6.3 million for the full year of 2020.

As Netflix executives stated on earnings calls in 2020, many of the additional subscribers were likely being pulled forward from among those who otherwise would have subscribed later on. That foreshadowing proved to be true, with the pull-forward in subscribers significantly limiting growth for Netflix in 2021.

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**Through the first three quarters of 2021, Netflix had just 88,000 net adds in North America.**

LRG has also found many instances of these pull-forward trends in our consumer research on the use of streaming services, with **the data showing significant increases in 2020, followed by a leveling-off in 2021**. Ultimately, though, usage levels remained higher than two years prior.

Earlier this year, LRG studies found that:

- Overall, 39% of adults in U.S. TV households watch video on a TV via a connected device daily – compared to 40% in 2020, 31% in 2019, 19% in 2016, and 3% in 2011
- 78% of all U.S. households have a subscription video on-Demand (SVOD) service from Netflix, Amazon Prime, and/or Hulu – compared to 78% in 2020, 74% in 2019, and 59% in 2016

The recent *Broadband Internet in the U.S. 2021* study also found that:

- 60% of adults with an Internet service at home watch video online daily – compared to 59% in 2020, 50% in 2019, 41% in 2016, and 17% in 2011

The pandemic has had a profound impact on many critical dimensions of our lives. In hindsight, we can see how the trajectory of consumer adoption and behavior has also been significantly altered over the past two years. The continued effects of the pandemic remain uncertain.

## 87% of U.S. Households Get an Internet Service at Home

New consumer research from Leichtman Research Group found that 87% of U.S. households get an Internet service at home, compared to 83% in 2016 and 69% in 2006. Broadband accounts for 98% of households with an Internet service at home, and 85% of all households get a broadband Internet service – an increase from 81% in 2016 and 42% in 2006.

Overall, 60% of broadband subscribers are very satisfied (8-10 on a 1-10 scale) with their Internet service at home, while 7% are not satisfied (1-3). Similarly, 68% of broadband subscribers agree (8-10) that their Internet service meets the needs of their household, while 4% disagree (1-3).

These findings are based on a survey of 2,000 households from throughout the United States and are part of a new LRG study, *Broadband Internet in the U.S. 2021*. This is LRG's nineteenth annual study on this topic.

Other related findings include:

- 63% of broadband subscribers rate the speed of their Internet connection 8-10 (with 10 being excellent), while 7% rate it 1-3 (with 1 being poor)
- 45% of broadband subscribers do not know the download speed of their service – compared to 59% in 2016
- 69% reporting Internet speeds of 100+ Mbps are very satisfied with their service, compared to 53% with speeds <50 Mbps, and 58% that don't know their speed
- 87% of households use at least one laptop or desktop computer – 95% of this group get an Internet service at home

- 68% of those that do not use a laptop or desktop computer are not online at home – accounting for 67% of all that do not have an Internet service at home

The percentage of households getting an Internet service at home, including high-speed broadband, continued to increase over the past year, and is now higher than in any previous year.

Broadband subscribers generally remain satisfied with their service, with 60% reporting that they are very satisfied, compared to 57% in 2016.



#### Did You Know ...

42% that do not get an Internet service at home cite a lack of need as the main reason – while 19% cite cost, 12% cite availability issues, 8% cite a lack of use, and 3% cite access to the Internet on a mobile phone

## 71% of TV Households Have a Live Pay-TV Service

**N**ew consumer research from Leichtman Research Group finds that 71% of TV households nationwide have some form of pay-TV service. The percentage of TV households that have a live pay-TV service (via cable, satellite, Telco, or Internet-delivered vMVPD) is down from 82% in 2016, 87% in 2011, and 86% in 2006.

Reflecting this decline, in TV households 64% of adults ages 18-44 and 77% of ages 45+ have a pay-TV service. Comparatively, in 2016, 77% of adults

ages 18-44 and 86% of ages 45+ had a pay-TV service.

These findings are based on a survey of 2,000 households from throughout the United States and are part of a new LRG study, *Pay-TV in the U.S. 2021*. This is LRG's nineteenth annual study on this topic.

Other related findings include:

- 41% of those that moved in the past year do not currently have a pay-TV service – a higher level than in previous years
- 35% of renters do not have a pay-TV service – compared to 25% of homeowners
- 30% of pay-TV non-subscribers last had a pay-TV service within the past 3 years, 36% last had a pay-TV service >3 years ago, and 34% never had a pay-TV service
- 54% of pay-TV non-subscribers that never had a service are ages 18-34 – while 28% of non-subscribers that formerly had pay-TV are in that age range
- 26% of adults agree that it is OK to use a friend's log-in passwords to watch live TV, including 40% of ages 18-34
- 37% of all TV sets in use have a traditional pay-TV providers' set-top box – compared to 58% in 2016

The percent of U.S. TV households with a live pay-TV service significantly declined from 82% to 71% over the past five years.

The penetration of pay-TV remains lowest among younger adults and the categories that they tend to populate, including movers and renters.

## Major Pay-TV Providers Lost About 650,000 Subscribers in 3Q 2021

**L**eichtman Research Group found that the largest pay-TV providers in the U.S. – representing about 93% of the market – lost about 650,000 net video subscribers in 3Q 2021, compared to a pro forma net loss of about 90,000 in 3Q 2020.

The top pay-TV providers now account for about 77 million subscribers – with the top seven cable companies having 41.9 million video subscribers, other traditional pay-TV services having over 27.5 million subscribers, and the top publicly reporting Internet-delivered (vMVPD) pay-TV services having 7.5 million subscribers.

Key findings for the quarter include:

- Top cable providers had a net loss of about 700,000 video subscribers in 3Q 2021 – compared to a loss of about 380,000 subscribers in 3Q 2020
- Other traditional pay-TV services had a net loss of about 635,000 subscribers in 3Q 2021 – compared to a loss of about 780,000 subscribers in 3Q 2020
- Top publicly reporting vMVPDs added about 680,000 subscribers in 3Q 2021 – compared to a gain of about 1,070,000 subscribers in 3Q 2020

While pay-TV net losses in the quarter increased from last year’s third quarter, annual net losses were relatively similar to a year ago.

Over the past year, top pay-TV providers had a net loss of about 5,100,000 subscribers, compared to a loss of about 4,820,000 over the prior year.

## About 630,000 Added Broadband in 3Q 2021

**L**eichtman Research Group found that the largest cable and wireline phone providers in the U.S. – representing about 96% of the market – acquired about 630,000 net additional broadband Internet subscribers in 3Q 2021, compared to a pro forma gain of about 1,525,000 subscribers in 3Q 2020, about 615,000 in 3Q 2019, and about 600,000 in 3Q 2018.

These top broadband providers now account for about 107.9 million subscribers, with top cable companies having about 75.2 million broadband subscribers, and top wireline phone companies having about 32.7 million subscribers.

Key findings for the quarter include:

- Overall, broadband additions in 3Q 2021 were 41% of those in 3Q 2020
- The top cable companies added about 590,000 subscribers in 3Q 2021 – 45% of the net additions for the top cable companies in 3Q 2020
- The top wireline phone companies added about 40,000 total broadband subscribers in 3Q 2021 – compared to about 200,000 net adds in 3Q 2020
  - Telcos had about 475,000 net adds via fiber in 3Q 2021, and about 435,000 non-fiber net losses

Broadband additions returned to pre-pandemic levels in the third quarter of 2021. The top broadband providers added significantly fewer subscribers than in last year’s third quarter, but had a similar number of net adds as in 3Q 2019 and 3Q 2018.

## Industry by the Numbers

### Top Pay-TV Providers in the U.S.

Cable Companies	Subscribers at end of 3Q 2021	Net Adds in 3Q 2021
Comcast	18,549,000	(407,000)
Charter	15,891,000	(121,000)
Cox*	3,460,000	(70,000)
Altice	2,803,000	(67,500)
Mediacom	590,000	(21,000)
Atlantic Broadband**	360,000	(6,000)
Cable One	279,000	(8,000)
<b>Total Top Cable</b>	<b>41,932,000</b>	<b>(700,500)</b>
<b>Other Traditional Service</b>		
DIRECTV^	15,000,000	(412,000)
DISH TV (DBS)	8,424,000	(130,000)
Verizon Fios (Telco)	3,714,000	(68,000)
Frontier (Telco)*	400,000	(23,000)
<b>Total Top Other Traditional</b>	<b>27,538,000</b>	<b>(633,000)</b>
<b>Internet-Delivered (vMVPD)</b>		
Hulu + Live TV	4,000,000	300,000
Sling TV	2,556,000	117,000
fuboTV	944,605	262,884
<b>Total Top vMVPD^^</b>	<b>7,500,605</b>	<b>679,884</b>
<b>Total Top Pay-TV</b>	<b>76,970,605</b>	<b>(653,616)</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* LRG estimate

\*\* Includes recent acquisition from WOW, and LRG pro forma estimate of net adds

^ LRG estimate. Formerly AT&T Premium TV, includes DIRECTV, U-verse, and DIRECTV Stream (formerly AT&T TV).

^^ vMVPD does not include YouTube TV or Philo, as neither regularly report results

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 93% 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 findings

## Top Broadband Internet Providers in the U.S.

Cable Companies	Subscribers at end of 3Q 2021	Net Adds in 3Q 2021
Comcast	31,688,000	300,000
Charter	29,899,000	265,000
Cox*	5,510,000	25,000
Altice	4,388,100	(13,200)
Mediacom	1,466,000	(2,000)
Cable One	1,030,000	13,000
Atlantic Broadband^	717,000	3,000
WOW (WideOpenWest)^	509,500	1,600
<b>Total Top Cable</b>	<b>75,207,600</b>	<b>592,400</b>
<b>Wireline Phone Companies</b>		
AT&T	15,510,000	29,000
Verizon^^	7,337,000	74,000
CenturyLink/Lumen	4,589,000	(77,000)
Frontier^	2,789,000	(9,000)
Windstream	1,147,000	15,200
TDS	522,800	9,200
Cincinnati Bell*	439,000	1,200
Consolidated	390,661	(2,819)
<b>Total Top Phone</b>	<b>32,724,461</b>	<b>39,781</b>
<b>Total Top Broadband</b>	<b>107,932,061</b>	<b>632,181</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* LRG estimate

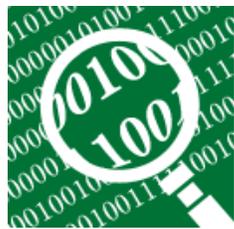
^ Includes recent sale of properties from WOW to Atlantic Broadband and pro forma estimates

^^ Does not include 55,000 fixed wireless net adds, bringing the total to about 150,000 subscribers

TDS includes about 306,500 wireline subscribers and about 216,300 cable subscribers

Company subscriber counts may not solely represent residential households – about 6% of the total are non-residential  
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

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Leichtman Research Group, Inc.  
[www.LeichtmanResearch.com](http://www.LeichtmanResearch.com)  
(603) 397-5400