

Research Notes

1Q 2014

Actionable Research on the Broadband, Media & Entertainment Industries

Television's Changing Face

Over the past few years, the ways that Americans watch television have significantly changed. Much attention is deservedly paid to the proliferation of new viewing opportunities on smaller, more mobile, screens, like computers, tablets, and smartphones. Yet, at the same time that these platforms have emerged, TV sets themselves have also been improving with the rise of HDTV.

HDTV sets may now seem to be ubiquitous, **but the majority of the growth of HDTV has come in just the past five years, and there is still room for more progress.** LRG's recently completed eleventh annual study on HDTV reveals how HD has become

more prominent in US households in recent years.

As shown in the chart:

- Over three-quarters of all households in the US now have at least one HDTV set. Five years ago, only about one-third of households had an HDTV. **Overall, 43% of US households got their first HDTV set in the past five years,** and 70% in the past nine years.
- **HDTVs also continue to go "deeper" in the home.** Among those with an HDTV, 59% have more than one – up from 33% of HDTV owners five years ago. This means that (including non-HDTV households) 46% of all households now have more than one HDTV set – up from 11% five years ago, and just 1% at the end of 2004.
- In terms of television sets, **HDTVs now account for about 59% for all TV sets used in US households,** a significant increase from 18% of all TVs five years earlier.

The majority of TV sets used in US households are now HDTVs, **yet about 41% of TVs in US households still are not HD – representing approximately 125 million TV sets.**

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Year-end	Households with an HDTV	Households with multiple HDTVs	HDTVs as percent of all TV sets
2013	77%	46%	59%
2008	34%	11%	18%
2004	7%	1%	3%

The number of non-HDTV sets is likely to diminish over the next few years, as about one-fifth of all households purchase new TV sets each year. **In each of the past ten years, between 20%-22% of those surveyed said that their household purchased a new TV set in the past twelve months.**

Even as the face of television is changing, with consumers getting new platforms for watching video, television sets continue to be purchased and used about as often as in the past. Recent studies have found that the time spent per day watching traditional TV among all adults is virtually unchanged over the past five years. Consumers cite the improved picture quality of HDTV as (by far) the most important reason for getting an HDTV, and it is helping to keep people watching TV as much as ever before. For many, the new smaller-screen platforms represent additional outlets for in-home viewing (and, less commonly, for watching video away from home), but television sets generally remain the screen of choice.

In 2008, ESPN researchers first coined the term “*Best Available Screen.*” The concept behind this term being that, while consumers are “*using different media platforms at different times and in*

Did you know?

69% with household incomes >\$75,000 have an iPad/tablet – compared to 28% <\$30,000

According to LRG, **77% of US homes have at least one HDTV set**, and 46% of all homes have multiple HDTVs. That’s up from a respective 34% and 11% five years ago.

- **Multichannel News** March 7, 2014

different places for different purposes. They are choosing the best available screen for their location.” While viewing options have grown over the past few years and consumers have more screens (and platforms) to watch, or keep in touch with, the content that they are most interested in, **the Best Available Screen concept still holds true. In the home, as much as ever before, that Best Available Screen remains the TV set.**

(Additional related LRG consumer research findings on HDTV appear later in these Research Notes.)

Major Multi-Channel Video Providers Lost About 105,000 Subscribers in 2013

Leichtman Research Group, Inc. found that thirteen largest multi-channel video providers in the US – representing about 94% of the market – lost about 105,000 net video subscribers in 2013. Annual net multi-channel video additions in 2013 were about 280,000 fewer than in 2012, when the industry added about 175,000 subscribers.

The top multi-channel video providers account for over 94.6 million subscribers – with the top nine cable companies having 49.6 million video subscribers, satellite TV companies having 34.3 million subscribers, and top telephone companies having 10.7 million subscribers.

Other key findings include:

- The top nine cable companies lost about 1,735,000 video subscribers in 2013 – compared to a loss of about 1,410,000 subscribers in 2012
- The top telephone providers added 1,460,000 video subscribers in 2013 – compared to 1,298,000 net additions in 2012
- Satellite TV providers added 170,000 video subscribers in 2013 – compared to 288,000 net additions in 2012

2013 was the first year for multi-channel video industry losses, but the modest losses represent only about 0.1% of all subscribers. While the overall market remains fairly flat, further share-shifting has taken place. Cable providers now

Principal analyst Bruce Leichtman said cable providers **now had “a 52% share of the top multi-channel video subscribers in the U.S., compared to a 58% share three years ago.”**

- **Time Magazine**
March 18, 2014

have a 52% share of the top multi-channel video subscribers in the US, compared to a 58% share three years ago.

Did you know?

U-verse and FiOS have a combined 26.1% penetration for video services over about 41 million passings

2.6 Million Added Broadband from Top Cable and Telephone Companies in 2013

Leichtman Research Group, Inc. found that the seventeen largest cable and telephone providers in the US – representing about 93% of the market – acquired over 2.6 million net additional high-speed Internet subscribers in 2013. Annual net broadband additions in 2013 were 95% of the total in 2012.

These top broadband providers now account for 84.3 million subscribers – with cable companies having 49.3 million broadband subscribers, and telephone companies having 35.0 million subscribers.

Other key findings include:

- The top cable companies netted 82% of the broadband additions in 2013 – compared to 88% of the broadband additions in 2012

- The top cable companies added nearly 2.2 million broadband subscribers in 2013 – 89% of the total net additions for the top cable companies in 2012
- Comcast added about 1.3 million broadband subscribers in 2013 – accounting for 49% of the total net additions for the top providers in the year
- The top telephone providers added 480,000 broadband subscribers in 2013 – 146% of the total net additions for the top telephone companies in 2012
- AT&T and Verizon added 3.3 million fiber subscribers (via U-verse and FiOS) in 2013, while having a net loss of 3.05 million DSL subscribers. U-verse and FiOS broadband subscribers now account for 47% of Telco broadband subscribers – up from 29% at the end of 2011

At the end of 2013, the top broadband providers in the US cumulatively had

“2013 was the first year for multichannel video industry losses, but the modest losses represent only about 0.1% of all subscribers,” LRG President Bruce Leichtman said. “While the overall market remains fairly flat, further share-shifting has taken place.”

- **Investor’s Business Daily**
March 14, 2014

over 84.3 million subscribers, adding 2.6 million subscribers in the past year. With top Telco providers focused on upgrading customers from DSL to higher-speed broadband services, cable providers accounted for over 80% of the net broadband adds in 2013.

The Majority of TV Sets in U.S. Households are Now HDTVs

Leichtman Research Group, Inc. found that 77% of households in the United States have at least one high definition television (HDTV) set, and about 46% of all households have multiple HDTVs. Five years ago, 34% of US households had at least one HDTV, and 11% of households had more than one HDTV.

Did you know?

49% of HDTV owners say that they bought their last HDTV set at Best Buy or Walmart

About 72% of TV sets used in HD households are HDTVs. Including non-HDTV households, 59% of all television sets used in US households are HDTVs – up from 34% in 2010, 18% in 2008, and 3% in 2004.

These findings are based on a survey of 1,231 households throughout the United States, and are part of a new LRG study,

HDTV XI. This is LRG's eleventh annual study related to HDTV.

Other findings include:

- 88% with annual household incomes over \$50,000 have an HDTV – compared to 68% with household incomes under \$50,000
- Among those getting HD programming from a cable, satellite, or Telco provider, the perceived mean number of channels of HD programming is 82 – up from 42 five years ago
- 30% of adults have heard of 4K Ultra HDTV, and about one-third of this group has seen a 4K Ultra HDTV
- 28% of those who have seen a 4K Ultra HDTV are very interested in getting it, while 15% of all who have heard of 4K HDTV are very interested in getting it
- 14% of households have a Smart TV set that is connected to the Internet, including 3% of households that have more than one connected Smart TV set – connected Smart TVs account for about 7% of all television sets used in US

households

- 22% of all households purchased a TV set in the past 12 months – an annual level that has been fairly consistent for the past decade

At the same time that consumers are acquiring an increasing number of devices that allow them to watch video anywhere and anytime, television sets in the home are getting bigger and better. Nearly 60% of TV sets used in US households are now HD sets, up from less than 20% just five years ago.

Did you know?

87% of Netflix subscribers have an HDTV

Industry by the Numbers

Multi-Channel Video Providers		
<i>Cable Companies</i>	Subscribers at End of 2013	Net Adds in 2013
Comcast	21,690,000	(305,000)
Time Warner	11,393,000	(825,000)
Charter	4,342,000	(121,000)
Cablevision	2,813,000	(80,000)
Suddenlink	1,177,400	(33,800)
Mediacom	945,000	(55,000)
Cable ONE	538,894	(54,721)
Other major private companies*	6,675,000	(260,000)
TOTAL TOP CABLE	45,574,294	(1,734,521)
Satellite TV Companies (DBS)		
DirectTV	20,253,000	169,000
DISH	14,057,000	1,000
TOTAL TOP DBS	34,310,000	170,000
Telephone Companies		
AT&T U-verse	5,460,000	924,000
Verizon FiOS	5,262,000	536,000
TOTAL TOP PHONE	10,722,000	1,460,000
TOTAL MULTI-CHANNEL	94,606,294	(104,521)

Sources: *The Companies and Leichtman Research Group, Inc.*
 * Includes LRG estimates for Cox and Bright House Networks
 Top cable companies do not include WOW
 Net additions reflect pro forma results from system sales and acquisitions
 Top multi-channel video providers represent approximately 94% of all subscribers
 Company subscriber counts may not solely represent residential households
 Note that LRG consumer research finds that about 1% of households subscribe to both cable and DBS

Top Broadband Internet Providers in the U.S.

<i>Cable Companies</i>	Subscribers at End of 2013	Net Adds in 2013
Comcast	20,662,000	1,296,000
Time Warner	11,606,000	211,000
Charter	4,640,000	371,000
Cablevision	2,780,000	17,000
Suddenlink	1,059,500	57,400
Mediacom	965,000	50,000
WOW (WideOpenWest)*	740,000	31,000
Cable ONE	472,631	13,396
Other Major Private Companies**	6,385,000	115,000
Total Top Cable	49,310,131	2,161,796
<i>Telephone Companies</i>		
AT&T	16,425,000	35,000
Verizon	9,015,000	220,000
CenturyLink	5,991,000	140,000
Frontier^	1,836,000	112,500
Windstream	1,170,900	(43,600)
FairPoint	329,766	4,789
Cincinnati Bell	268,400	9,000
Total Top Phone	35,036,066	477,189
Total Broadband	84,346,197	2,638,985

Sources: The Companies and Leichtman Research Group, Inc.

* WOW was added as one of the top cable broadband providers this year, replacing RCN

** Includes LRG estimates for Cox and Bright House Networks

^ LRG estimate, does not include wireless subscribers

Totals reflect pro forma results from system sales and acquisitions

Top cable and telephone companies represent approximately 93% of all subscribers

Company subscriber counts may not represent solely residential households

Top Ten Residential Phone Companies

Company	Residential Phone Lines End of 2013
AT&T	16,251,000
Verizon	11,229,000
Comcast	10,723,000
CenturyLink*	8,060,000
Time Warner	4,806,000
Cox*	3,250,000
Frontier	2,803,481
Charter	2,273,000
Cablevision	2,272,000
Windstream	1,722,300

* LRG Estimate



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