



## Don't Forget Your Elders

**N**early every day I read or hear about “radical shifts” taking place in consumer behavior related to video and

Internet subscriptions and usage in the US. There is no doubt that changes are upon us, and that these evolutions will only continue. However, as we think about the pace of change, it is essential to keep in mind that all demographic groups do not necessarily follow the same course.

The US Census Bureau’s Consumer

Population Survey found that, as of 2013, there were 81.8 million adults in the US ages 55 or older, including 43.3 million over age 65. **Individuals ages 55+ represent nearly 35% of all adults in the US (including 18% of adults who are 65+), and account for 10 million more people than those ages 18-34.** Yet, often this older age group is forgotten in analysis of the video and Internet markets, or they are completely left out of consumer surveys.

If one is selling a product or service solely to millennials (or another segment) it is imperative to survey that target group. But if the objective is to get a snapshot of the US as a whole, **leaving out ages 55+ does not provide a representative sample of**

**the entire US. Doing so may lead to inaccurate conclusions about what is happening today, and how rapidly changes may occur in the future.** In addition, because services like pay-TV and Internet in the home are typically sold at the household level rather than at the individual level, it is particularly important to include older individuals in research about these markets.



### LRG Fun Fact

All individuals ages 18-34 report spending 3.8 hours per day online at home – compared to 2.1 hours per day online at home among ages 55+

LRG’s nationwide studies are designed to reflect the age distribution of adults in the US. The methodology allows us to see distinct differences between older and younger age groups. For example, the *Cable, DBS & Telco: Competing for Customers 2016* study found that **while pay-TV penetration has declined in recent years among younger adults, older individuals remain fairly loyal to pay-TV.** In TV households:

- 13% of ages 55+ are pay-TV non-subscribers – compared to 12% in 2011, and 15% in 2004
- 24% of ages 18-34 are pay-TV non-subscribers – compared to 15% in 2011, and 23% in 2004

Further, while younger individuals are frequently emphasized today in selling pay-TV services, it is important to note

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that this group may not necessarily be the target audience. In LRG's *Competing for Customers 2016* study, **51% of all ages 18-24 in TV households say that they play no role in the decision to subscribe to a TV service**, and just 16% identify themselves as the main decision-maker.

**Overall, ages 18-24 account for only 3% of all main decision-makers in getting a TV service at home, while ages 65+ account for 21% of the main decision-makers.**

Disparities by age are also evident in Internet subscriptions. LRG's recent *Broadband Internet Access & Services in the Home 2016* study found that:

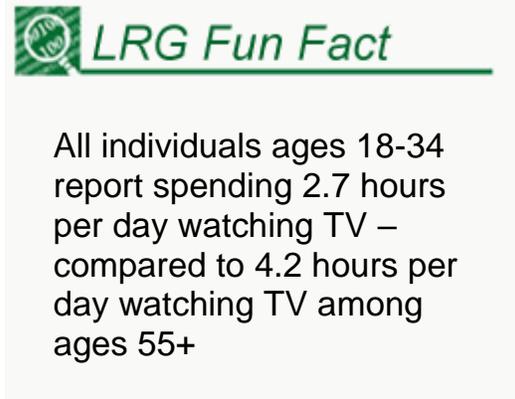
- 36% of ages 65+ do not get an Internet service at home – compared to 13% among ages 18-64
- Ages 65+ account for 34% of all with no Internet service at home, and ages 55+ account for 51% of all with no Internet service at home

Online behaviors are also significantly different by age. Among those with Internet service at home:

- 22% of ages 55+ watch video online daily – compared to 64% of ages 18-34
- 53% of ages 55+ use their ISP for their main email account – compared to 16% of ages 18-34

Consumer behavior related to media and Internet is evolving across all age groups. Younger people use media and Internet services differently than older individuals, yet it is imprudent to assume that these behavioral differences portend immediate changes across all aspects of the industries. Demographic differences often create gradual, rather than radical, shifts.

What the pay-TV and Internet markets may look like at the end of 2026 or 2036 are uncertain. Predictions are increasingly hazy as the timeframe increases. **In the nearer term, the over one-third of US adults ages 55 and above cannot – and should not – be ignored.**



**LRG Fun Fact**

All individuals ages 18-34 report spending 2.7 hours per day watching TV – compared to 4.2 hours per day watching TV among ages 55+

## **83% of TV Households Get an Internet Service at Home**

**L**eichtman Research Group, Inc. finds that about 83% of US households get an Internet service at home, compared to 82% in 2010 and 69% in 2006. Broadband accounts for 97% of households with Internet service at home, and 81% of all households get a broadband Internet service – an increase from 74% in 2010, and 42% in 2006.

Those who do not get an Internet service at home tend to be older (36% of ages 65+ are not online at home), and lower income (40% with annual household incomes <\$30,000 are not online at home). Yet, possibly the most common characteristic of those not online at home is that 60% do not use a laptop or desktop computer at home.

Consistent with the profile of those not online at home, the most common

reason for not getting an Internet service at home is a lack of need (cited by 50%). This reason far exceeds those who mention cost (17%), availability (8%), or access to the Internet on a smartphone (8%) as a reason not to subscribe to an Internet service at home.

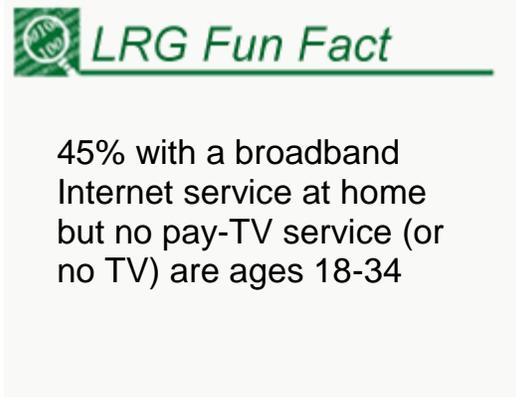
These findings are based on a telephone survey of 1,208 households from throughout the United States, and are part of a new LRG study, *Broadband Access & Services in the Home 2016*. This is LRG's fourteenth annual study on this topic.

Other related findings include:

- 86% of households use at least one laptop or desktop computer – 92% of this group get an Internet service at home
- About 5% of all households have an iPad or tablet, but do not use a laptop or desktop computer – up from 1% in 2013
- Overall, 66% get both an Internet service at home and on a smartphone – up from 42% in 2012
- 6% overall access the Internet on a smartphone, but do not get an Internet service at home – compared to 2% in 2012
- 41% with an Internet service at home watch online video daily – compared to 17% in 2011, and 5% in 2006
- 90% with annual household incomes >\$50,000 get broadband at home – compared to 71% with annual household incomes <\$50,000

While higher-income households are most likely to subscribe to a broadband service, disparities in computer ownership and computer literacy remain at the root of the broadband divide in the

US. A lack of need is still the most common reason for not getting an Internet service at home, rather than cost or the ability to get the Internet on a smartphone.



**LRG Fun Fact**

45% with a broadband Internet service at home but no pay-TV service (or no TV) are ages 18-34

## About 625,000 Added Broadband in 3Q 2016

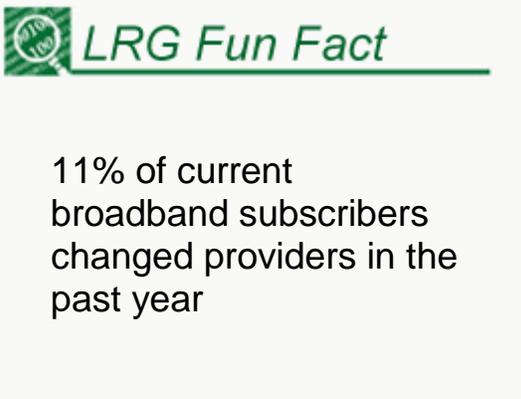
Leichtman Research Group, Inc. found that the fourteen largest cable and telephone providers in the US – representing about 95% of the market – acquired about 625,000 net additional high-speed Internet subscribers in 3Q 2016. These top broadband providers now account for 92.5 million subscribers – with top cable companies having 57.8 million broadband subscribers, and top phone companies having 34.7 million subscribers.

Other broadband findings for the quarter include:

- Overall, broadband additions in 3Q 2016 were 99% of those in 3Q 2015
- The top cable companies added about 775,000 subscribers in 3Q 2016 – 99% of the net additions for the top cable companies in 3Q 2015
- The top phone companies lost about 150,000 broadband subscribers in 3Q 2016 – similar to the loss of about 145,000 in 3Q 2015

- Telco providers have had net broadband losses in five of the past six quarters
- In the first three quarters of 2016, cable companies added about 2,440,000 broadband subscribers, while Telcos lost about 475,000 subscribers

While major providers now account for nearly 92.5 million broadband subscribers in the US, the broadband market continues to expand with top cable providers driving the growth. Over the past year, cable companies added more than 3.5 million broadband subscribers, accounting for 118% of the 2.995 million net broadband additions.



**LRG Fun Fact**

11% of current broadband subscribers changed providers in the past year

## Major Pay-TV Providers Lost About 255,000 Subscribers in 3Q 2016

**L**eichtman Research Group, Inc. found that the eleven largest pay-TV providers in the US – representing about 95% of the market – lost about 255,000 net video subscribers in 3Q 2016, compared to a loss of about 210,000 subscribers in 3Q 2015.

The top pay-TV providers account for 93.65 million subscribers – with the top six cable companies having 48.8 million

video subscribers, satellite TV companies having 34.4 million subscribers (including over 900,000 from DISH's Internet-delivered Sling TV), and the top telephone companies having 10.5 million subscribers.

Other key findings for the quarter include:

- The top six cable companies lost about 90,000 video subscribers in 3Q 2016 – compared to a loss of about 170,000 subscribers in 3Q 2015
  - Top cable MSOs losses were the fewest in any third quarter since 2006
- Satellite TV providers added 207,000 subscribers in 3Q 2016 (including gains from Sling TV) – compared to a gain of 3,000 in 3Q 2015
  - DirecTV's net adds of 323,000 in 3Q 2016 were the most in any third quarter since 2011
- The top phone providers lost about 375,000 video subscribers in 3Q 2016 – compared to a loss of about 45,000 subscribers in 3Q 2015
  - Over the past year, AT&T lost about 1,335,000 U-verse subscribers, while adding 1,207,000 DirecTV subscribers

The top pay-TV providers lost about 255,000 subscribers in this year's third quarter, a cumulative total that was about 45,000 more than in last year's third quarter. Over the past year, the top pay-TV providers (including DISH's Sling TV) lost about 755,000 subscribers – compared to a loss of about 445,000 over the prior year.

## Industry by the Numbers

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

<i>Cable Companies</i>	Subscribers at End of 3Q 2016	Net Adds in 3Q 2016
Comcast	22,428,000	32,000
Charter	17,275,000	(37,000)
Altice	3,598,000	(41,000)
Mediacom	834,000	(8,000)
CableOne	329,386	(9,588)
Other major private company*	4,305,000	(25,000)
<b>TOTAL TOP CABLE</b>	<b>48,769,386</b>	<b>(88,588)</b>
<i>Satellite TV Companies (DBS)</i>		
DirecTV	20,777,000	323,000
DISH**	13,643,000	(116,000)
<b>TOTAL TOP DBS</b>	<b>34,420,000</b>	<b>207,000</b>
<i>Telephone Companies</i>		
Verizon FiOS	4,673,000	36,000
AT&T U-verse	4,544,000	(325,000)
Frontier^	1,245,000	(85,000)
<b>TOTAL TOP PHONE</b>	<b>10,462,000</b>	<b>(374,000)</b>
<b>TOTAL TOP PAY-TV PROVIDERS</b>	<b>93,651,386</b>	<b>(255,588)</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* Includes LRG estimate for Cox

\*\* DISH totals and net adds include Sling TV; in 3Q 2016 DISH changed its calculation for counting commercial accounts

^ LRG estimate (not including DBS subs); in 3Q 2016 Frontier revised the number of subs acquired from Verizon in April

Company subscriber counts may not solely represent residential households

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

Top cable companies do not include overbuilder WOW with 505,200 subscribers (not including a minor system acquisition in Sept)

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

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

<i>Cable Companies</i>	Subscribers at End of 3Q 2016	Net Adds in 3Q 2016
Comcast	24,316,000	329,000
Charter	22,202,000	387,000
Altice	4,122,000	17,000
Mediacom	1,145,000	17,000
WOW (WideOpenWest)*	728,400	2,700
Cable ONE	510,573	2,256
Other Major Private Companies**	4,765,000	20,000
<b>Total Top Cable</b>	<b>57,788,973</b>	<b>774,956</b>
<i>Telephone Companies</i>		
AT&T	15,618,000	(23,000)
Verizon	7,038,000	24,000
CenturyLink	5,950,000	(40,000)
Frontier^	4,404,000	(99,000)
Windstream	1,063,000	(12,800)
FairPoint	309,547	(1,893)
Cincinnati Bell	299,800	3,100
<b>Total Top Phone</b>	<b>34,682,347</b>	<b>(149,593)</b>
<b>Total Top Broadband</b>	<b>92,471,320</b>	<b>625,563</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* WOW does not include a minor system acquisition in September 2016

\*\* Includes LRG estimate for Cox

^ Frontier total is revised from prior reporting

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# LRG

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