Leichtman Research Group
Research Notes
4Q 2022 *Actionable Research on the Broadband, Media & Entertainment Industries*

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The Changing Broadband Bundle

While watching sports on TV you are sure to see many advertisements pitching a bundle of services. Flo from Progressive, along with her rivals from Geico, Farmers, and other insurance companies are frequently encouraging you to get a bundle of auto and home insurance to save money. A similar "combine and save" message is also used for bundles of streaming services like Disney+, Hulu, and ESPN+, as well as many other products and services.

In the early days of broadband, bundling with TV service was a key growth strategy for cable companies. While cable broadband service generally had a technological advantage over Telco DSL, another **significant differentiator was that cable offered a simple bundle of Internet and video services that helped consumers save money.** The Telco bundle was typically a more complicated combination that included service from a different satellite TV company.

Providing broadband in a "double play" bundle with cable TV, or a "triple play" with home phone service, helped cable establish a dominant position in the broadband market versus Telcos that it maintains today. (With the help of the bundle, cable also became the leader in home phone service by the end of 2017.)

But the significance of the bundle has changed over time for both consumers and providers. LRG's recent *Broadband Internet in the U.S. 2022* study found that:

- **40% of broadband households now get a bundle of Internet, TV, and/or phone services from a single provider – compared to 64% in 2017, 80% in 2010 (an all-time high), and 69% in 2005**

Likewise, the importance of the bundle in the decision to subscribe to a broadband service has declined over time.

- 43% of broadband subscribers rate the ability to get bundled discounts on other services from the same company as very important – compared to 57% in 2017, and 64% in 2012

The study found that about half of all cable broadband subscribers with a TV also now get a cable TV service, down from 74% in 2017, 83% in 2012, and 89% in 2007. The decline in cable broadband subscribers having a cable TV service is certainly related to the overall decline in households with a pay-TV service (addressed later in these Research Notes). Yet, this is not solely about consumers' decisions about video services, but also related to providers' evolving strategies toward traditional video service.

The importance of the bundle from providers' perspectives has evolved from being an essential component of building the broadband business**, to using video to enhance the value** of the higher-margin broadband service**, to apathy** about whether consumers get a video service or not, and in some cases to animosity towards traditional video (and associated costs).

While we still use the term "cable" company, these companies are now centered around their broadband services to consumers (and businesses). Public reporting from major cable companies echoes the consumer research results. It reveals that **for the first time ever, over half of all residential "cable" customers do not get a video service from their cable company.**

- At the end of 3Q 2022, 50.5% of cable customers were non-video subscribers – up from 41% at the end of 3Q 2020, 28% at the end of 3Q 2017, and 20.6% at the end of 3Q 2014

While the core combination of Internet and traditional pay-TV service is declining, other bundled offerings are emerging throughout the industry.

Some cable companies are now emphasizing mobile phone as a key bundled component. Comcast and Charter combined had 9.6 million mobile phone lines at the end of 3Q 2022, **an increase of nearly 5 million lines in the past two years.**

The *Broadband 2022* study also found that among those with a mobile phone service:

- 24% report getting free streaming services as part of their mobile phone service
- 17% report getting mobile phone service as part of a bundle with other services (including 41% with fixed wireless/5G home Internet)

As evidenced by Flo and her insurance foes, along with many others, the bundle remains a strong marketing tool. The concept of saving money by getting more from a single company creates a win-win for consumers and providers.

While the broadband bundle is not as common is it once was, and the components of the bundle are changing, there is clearly still a role for bundled communications services.

Did You Know ...

46% of home Internet subscribers ages 45+ get a bundle of services – compared to 32% of ages 18-44

90% of U.S Households Get an Internet Service at Home

New consumer research from Leichtman Research Group found that 90% of U.S. households get an Internet service at home, compared to 84% in 2017, and 74% in 2007. Broadband accounts for 99% of households with an Internet service at home, and 89% of all households get a broadband Internet service – an increase from 82% in 2017, and 53% in 2007.

This study also found that 90% of households use a laptop or desktop computer, an increase from 85% in 2017. Of those that use a laptop or desktop computer at home, 96% have an Internet service at home. Those that do not use a laptop or desktop computer at home account for 58% of all that do not get an Internet service at home.

These findings are based on a survey of 1,910 households from throughout the United States and are part of a new LRG study, *Broadband Internet in the U.S. 2022*. This is LRG's twentieth annual study on this topic.

Other related findings include:

- Individuals ages 65+ account for 34% of those that do not get an Internet service at home
- 56% of broadband subscribers are very satisfied (8-10 on a 1-10 scale) with their Internet service at home, while 6% are not satisfied (1-3).
- 44% of broadband subscribers do not know the download speed of their service – compared to 60% in 2017
- 61% reporting Internet speeds of >100 Mbps are very satisfied with their service, compared to 41% with speeds <50 Mbps, and 57% that do not know their speed
- 59% of adults with an Internet service at home watch video online daily – compared to 59% in 2020, 43% in 2017, and 17% in 2012

The percentage of households getting an Internet service at home, including high-speed broadband, is higher than in any previous year.

Computer usage and knowledge remain the foundation for Internet services in the home. Among those that do not get an Internet service at home, 58% also do not use a computer at home.

Did You Know ...

35% that do not get an Internet service at home cite a lack of need as the main reason – while 17% cite cost, 11% cite availability issues, 7% cite a lack of use, and 6% cite access to the Internet on a mobile phone

66% of TV Households Have a Live Pay-TV Service

New consumer research from Leichtman Research Group finds that 66% 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 79% in 2017, 88% in 2012, and 85% in 2007.

Non-subscribers to pay-TV services break into three similar-sized groups based on their prior pay-TV subscription. About 31% of non-subscribers last had a pay-TV service within the past three years, 35% last had a pay-TV service over three years ago, and 34% never had a pay-TV service. Among those that never had a pay-TV service, 52% are ages 18-34, compared to 27% of former pay-TV subscribers.

These findings are based on a survey of 1,850 households from throughout the United States, and are part of a new LRG study, *Pay-TV in the U.S. 2022.* This is LRG's twentieth annual study on this topic.

Other related findings include:

- 73% of adults ages 45+ have a pay-TV service – compared to 57% of ages 18-44
- 46% of those that moved in the past year do not currently have a pay-TV service – a higher level than in previous years
- 73% of households with three or more TVs have a pay-TV service – compared to 65% with two TVs, and 52% with one TV
- 13% of pay-TV subscribers are likely to switch from their provider in the next six months – compared to 14% in 2020, and 13% in 2017

Two-thirds of U.S. TV households now get a live pay-TV service, a significant decrease from 79% five years ago.

The decline in pay-TV subscribers is not solely a function of those disconnecting services, but is also related to a slowdown in those entering or reentering the category. Overall, about 10.5% of TV households last subscribed to a pay-TV service in the past three years, 12% last subscribed over three years ago, and 11.5% never subscribed.

Did You Know ...

35% of all TVs in use have a pay-TV providers' set-top box – compared to 43% in 2020, 53% in 2017, and 53% in 2012

Major Pay-TV Providers Lost About 785,000 Subscribers in 3Q 2022

Leichtman Research Group found that the largest pay-TV providers in the U.S. – representing about 92% of the market – lost about 785,000 net video subscribers in 3Q 2022, compared to a pro forma net loss of 650,000 in 3Q 2021.

The top pay-TV providers now account for about 71.4 million subscribers – with the top seven cable companies having about 38.6 million video subscribers, other traditional pay-TV services having about 24.8 million subscribers, and the top publicly reporting Internet-delivered (vMVPD) pay-TV services having over 8 million subscribers.

Findings for the quarter include:

- Top cable providers had a net loss of about 980,000 video subscribers in 3Q 2022 – compared to a loss of about 700,000 subscribers in 3Q 2021
- Other traditional pay-TV services had a net loss of about 700,000 subscribers in 3Q 2022 – compared to a loss of about 630,000 subscribers in 3Q 2021
- Top publicly reporting vMVPDs added about 900,000 subscribers in 3Q 2022 – compared to a gain of about 680,000 subscribers in 3Q 2021

Spurred by a strong quarter from Internet-delivered vMVPD services, pay-TV net losses of about 785,000 in 3Q 2022 were more modest than in the first two quarters of the year.

Not including YouTube TV, which does not regularly report subscriber totals, vMVPDs had nearly 900,000 net additions in the quarter. This was the third most quarterly net adds ever for the top publicly reporting vMVPD services.

About 825,000 Added Broadband in 3Q 2022

Leichtman Research Group found that the largest cable and wireline phone providers and fixed wireless services in the U.S. – representing about 96% of the market – acquired about 825,000 net additional broadband Internet subscribers in 3Q 2022, similar to a pro forma gain of about 820,000 subscribers in 3Q 2021.

These top broadband providers account for about 110.8 million subscribers, with top cable companies having about 75.6 million broadband subscribers, top wireline phone companies having over 32 million subscribers, and top fixed wireless services having about 3.2 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 3Q 2022 were 101% of those in 3Q 2021
- The top cable companies added about 40,000 subscribers in 3Q 2022 – compared to about 590,000 net adds in 3Q 2021
- The top wireline phone companies lost about 135,000 total broadband subscribers in 3Q 2022 – compared to about 40,000 net adds in 3Q 2021
    - Wireline Telcos had about 550,000 net adds via fiber in 3Q 2022, and about 685,000 non-fiber net losses
- Fixed wireless/5G home Internet services from T-Mobile and Verizon added about 920,000 subscribers in 3Q 2022 – compared to about 190,000 net adds in 3Q 2021

Top broadband providers added about 825,000 subscribers in 3Q 2022, including 920,000 net adds for fixed wireless services, along with a minor gain for cable, and net losses for wireline phone providers.

Over the past year, fixed wireless services have accounted for nearly 80% of the approximately 3,260,000 net broadband additions.

Industry by the Numbers

Top Pay-TV Providers in the U.S.

Cable Companies	Subscribers at end of 3Q 2022	Net Adds in 3Q 2022
Comcast	16,582,000	(562,000)
Charter	15,291,000	(204,000)
Cox*	3,140,000	(90,000)
Altice	2,491,800	(82,400)
Mediacom*	525,000	(15,000)
Breezeline**	323,038	(9,274)
Cable One**	202,000	(19,000)
Total Top Cable	**38,554,838**	**(981,674)**
Other Traditional Services		
DIRECTV^	13,500,000	(400,000)
DISH TV (DBS)	7,607,000	(184,000)
Verizon Fios (Telco)	3,383,000	(96,000)
Frontier (Telco)*	322,000	(21,000)
Total Top Other Traditional	**24,812,000**	**(701,000)**
Internet-Delivered (vMVPD)		
Hulu + Live TV	4,400,000	400,000
Sling TV	2,411,000	214,000
fuboTV	1,231,000	284,265
Total Top vMVPD^^	**8,042,000**	**898,265**
Total Top Pay-TV	**71,408,838**	**(784,409)**

Sources: The Companies and Leichtman Research Group, Inc.
** LRG estimate*
*** Includes LRG estimate of pro forma net adds*
^ LRG estimate, includes DIRECTV, U-verse, and DIRECTV Stream
^^ vMVPD list does not include YouTube TV or Philo, as neither regularly report result. YouTube noted in a blog post that the TV service had "5 million subscribers and trialers" at the end of June 2022.
Company subscriber counts may not solely represent residential households
Top pay-TV providers represent approximately 92% 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 2022	Net Adds in 3Q 2022
Comcast	32,177,000	14,000
Charter	30,328,000	75,000
Cox*	5,560,000	0
Altice	4,290,600	(43,000)
Mediacom*	1,468,000	0
Cable One**	1,062,000	3,000
Breezeline**	707,954	(9,965)
Total Top Cable	**75,593,554**	**39,035**
Wireline Phone Companies		
AT&T	15,452,000	(57,000)
Verizon	7,447,000	35,000
Lumen	4,256,000	(121,000)
Frontier	2,831,000	4,000
Windstream	1,175,000	(3,500)
TDS	506,500	5,700
Consolidated	381,912	699
Total Top Wireline Phone	**32,049,412**	**(136,101)**
Fixed Wireless Services		
T-Mobile	2,122,000	578,000
Verizon^	1,063,000	342,000
Total Top Fixed Wireless	**3,185,000**	**920,000**
Total Top Broadband	**110,827,966**	**822,934**

Sources: The Companies and Leichtman Research Group, Inc.
**	LRG estimate*
***	Includes LRG estimate of pro forma net adds*
*^	Verizon adjusted net adds and totals for fixed wireless from prior quarters*
TDS residential subscribers, includes 302,000 wireline subscribers and 204,500 cable subscribers
Company subscriber counts may not solely represent residential households – about 6.5% of the total are non-residential
Top broadband providers represent approximately 96% of all subscribers

Net additions reflect pro forma results from system sales and acquisitions, and reporting adjustments, and changes to the list of top providers – therefore, comparing totals in this quarter's Notes to prior Notes may not produce accurate finding

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