



## The Discount Dilemma

**M**any local pharmacy often offers “buy one, get one at half price” promotions. This initially enticing pricing strategy is equivalent to a bundled discount of 25% when customers elect to stock up on a given item. Even if the pricing of other products in the store is not discounted, this allows consumers to feel good about *getting a deal*.

Similarly, with streaming services having quickly grown to maturity, many services are now trying to attract later-adopting, more cost-conscious consumers with lower priced offerings that are akin to bundling the services with advertising in order to provide consumers with a discounted deal.

A key difference between a product and a subscription service,

however, is that services rely on an ongoing relationship, rather than a one-time purchase. **In a subscription business it is as important to retain a customer as it is to acquire them.** The engaged usage of video services has proven to be more important than price in satisfaction with the services.

For many years, LRG studies found that higher spending pay-TV subscribers with premium services (like HBO and Showtime) tended to be more satisfied with their pay-TV provider than were lower-spending non-premium subscribers. Relatedly, LRG studies have found that those that watch more

channels on their pay-TV service are more satisfied with the service. A study from last year found that:

- 63% in households that watch 20+ channels per month on their pay-TV service are very satisfied with their provider – compared to 45% that watch <10 channels per month

We see similar results in the streaming segment, where **Netflix’s highest spending members are the most satisfied with the service.** LRG’s recent *Emerging Video Services 2023* study found that:

- 78% of Netflix members with the Premium plan are very satisfied with Netflix overall – compared to 67% with the Standard plan, and 60% with Basic plans

A key reason for this is that the higher spenders are the more active users. On Netflix’s Q2 2023 Earnings Interview, Co-CEO, Greg Peters said, “(T)here’s generally some differences across the tiers that you might expect..., more engagement generally means, as a broad statement, higher tier participation.” The *Emerging Video Services* study corroborated this. The study found that:

- 52% with the Premium plan stream Netflix daily – compared to 46% with the Standard plan, and 40% with Basic plans

Consumers typically report that they want a low-priced service, or will potentially switch to cut costs. But, after the early honeymoon phase, price alone does not necessarily make them happier or more likely to keep the service. Price seekers are susceptible to the next low-price offering. For many years in the pay-TV

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and streaming video industries we have seen that **lower priced services tend to have higher churn.**

This is the core of the dilemma for the new lower cost streaming offerings. Besides allowing for a reduced consumer pricing option, advertising is attractive to the streaming companies, because it provides an additional revenue stream beyond consumer spending. For consumers, getting commercials is the understood trade-off for receiving a lower price.

However, **one of the key consumer attributes of streaming services is that they are easy to subscribe to, and equally easy to cancel.** If history is any indicator, subscribers to these lower cost services will inevitably be higher churn.

Consumers have an increasing number of viewing options. The new challenge for streaming providers is not solely to bring in subscribers at a low price point (subsidized by ads), but to keep them. Active usage of the services is key to creating value that correspondingly makes consumers more satisfied with the services, and more likely to continue to subscribe.



#### Did You Know ...

Top publicly reporting streaming services added about 20 million domestic subscribers over the past year – compared to about 29 million over the prior year

## 83% of U.S. Households Have a Top SVOD Service

**N**ew consumer research from Leichtman Research Group finds that 83% of all U.S. households have a subscription video on-Demand (SVOD) service from Netflix, Amazon Prime, and/or Hulu – compared to 83% in 2022, 78% in 2020, 69% in 2018, and 52% in 2015.

Twelve additional streaming video services account for an incremental 5% of all households with at least one SVOD or Direct-to-consumer (DTC) service beyond the top three. This brings the total to 88% of all households with an SVOD/DTC service – compared to 82% in 2020. And, 53% of all households have four or more SVOD/DTC services – compared to 33% in 2020.

These findings are based on a survey of 2,101 households nationwide and are part of a new LRG study, *Emerging Video Services 2023*. This is LRG's seventeenth annual study on this topic.


Other related findings include:

- The mean number of SVOD/DTC services in all households is 4.1 – compared to 2.9 in 2020
- The mean number of SVOD/DTC services among ages 18-44 is 5.1 – compared to 3.7 among ages 45-64, and 2.2 among ages 65+
- 42% of all adults stream a top SVOD service daily – compared to 41% in 2021, 30% in 2018, and 16% in 2015
- Ages 18-44 account for 59% of adults using SVOD daily
- 57% of adults watch video on non-TV devices (including mobile phones, home computers, tablets, and eReaders) daily – compared to 54% in 2021, 46% in 2018, and 33% in 2015

- 81% of ages 18-34 watch video on non-TV devices daily – compared to 62% of ages 35-54, and 32% of ages 55+

The top three SVOD services remain the base of the streaming category, with 83% of all households having one of these services, while 88% of households have any streaming video services. Yet, as the streaming market has expanded and the total number of services in the home has increased, the top SVOD services' market share has begun to wane.

Of the fifteen SVOD/DTC services in this survey, the three top SVOD services now account for 43% of all streaming services in consumers' homes, compared to 56% in 2020.



**Did You Know ...**

54% of all adults ages 18-44 stream a top SVOD service daily – compared to 42% of ages 45-54, and 23% of ages 55+

## Major Pay-TV Providers Lost About 1,730,000 Subscribers in 2Q 2023

**L**eichtman Research Group found that the largest pay-TV providers in the U.S. – representing about 96% of the market – lost about 1,730,000 net video subscribers in 2Q 2023, compared to a pro forma net loss of about 1,725,000 in 2Q 2022.


The top pay-TV providers account for about 71.9 million subscribers – with the top seven cable companies having 35.9 million video subscribers, other traditional pay-TV services having about 22.7 million subscribers, and the top Internet-delivered (vMVPD) pay-TV services having about 13.4 million subscribers.

Findings for the quarter include:

- Top cable providers had a net loss of about 925,000 video subscribers in 2Q 2023 – compared to a loss of about 950,000 subscribers in 2Q 2022
- Other traditional pay-TV services had a net loss of about 690,000 subscribers in 2Q 2023 – compared to a loss of about 710,000 subscribers in 2Q 2022
- Top vMVPDs (including an estimate for YouTube TV) had a net loss of about 115,000 subscribers in 2Q 2023 – compared to a loss of about 65,000 subscribers in 2Q 2022

Pay-TV net losses of about 1.73 million in 2Q 2023 were similar to the losses in last year's second quarter

Over the past year, top pay-TV providers had a net loss of about 5,360,000 subscribers, compared to a net loss of about 4,235,000 over the prior year



**Did You Know ...**

The mean annual household income of daily AVOD/FAST users is 25% below the overall mean

## About 840,000 Added Broadband in 2Q 2023

**L**eichtman 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 840,000 net additional broadband Internet subscribers in 2Q 2023, compared to a pro forma gain of about 700,000 subscribers in 2Q 2022.

These top broadband providers account for 112.9 million subscribers, with top cable companies having about 76.2 million broadband subscribers, top wireline phone companies having about 30.7 million subscribers, and top fixed wireless services having about 5.9 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 2Q 2023 were 120% of those in 2Q 2022
- The top cable companies added about 10,000 subscribers in 2Q 2023 – compared to a loss of about 60,000 in 2Q 2022
- The top wireline phone companies lost about 60,000 total broadband subscribers in 2Q 2023 – similar to about 60,000 net losses in 2Q 2022
  - Wireline Telcos had about 450,000 net adds via fiber in 2Q 2023, and about 510,000 non-fiber net losses
- Fixed wireless/5G home Internet services from T-Mobile and Verizon added about 890,000 subscribers in 2Q 2023 – compared to 815,000 net adds in 2Q 2022

Top broadband providers added about 840,000 subscribers in 2Q 2023, led by another strong quarter from fixed wireless.

Fixed wireless services have acquired over 800,000 net adds in each of the past five quarters, accounting for about 4.45 million net adds in that period.

## Industry by the Numbers

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

Cable Companies	Subscribers at end of 2Q 2023	Net Adds in 2Q 2023
Comcast	14,985,000	(543,000)
Charter	14,706,000	(200,000)
Altice	2,405,900	(69,900)
Breezeline	296,952	(3,732)
Cable One	158,100	(8,900)
Other major private companies*	3,340,000	(100,000)
<b>Total Top Cable</b>	<b>35,891,952</b>	<b>(925,532)</b>
<b>Other Traditional Services</b>		
DIRECTV**	12,350,000	(400,000)
DISH TV (DBS)	6,901,000	(197,000)
Verizon Fios (Telco)	3,155,000	(70,000)
Frontier (Telco)^	267,000	(21,000)
<b>Total Top Other Traditional</b>	<b>22,673,000</b>	<b>(688,000)</b>
<b>Internet-Delivered (vMVPD)</b>		
YouTube TV^	5,900,000	200,000
Hulu + Live TV	4,300,000	(100,000)
Sling TV	2,003,000	(97,000)
Fubo	1,167,000	(118,000)
<b>Total Top vMVPD</b>	<b>13,370,000</b>	<b>(115,000)</b>
<b>Total Top Pay-TV</b>	<b>71,934,952</b>	<b>(1,728,532)</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* Includes LRG estimates for Cox and Mediacom

\*\* LRG estimate, includes DIRECTV, U-verse, and DIRECTV Stream

^ LRG estimate

^^ Includes LRG estimate for non-residential subscribers

Company subscriber counts may not solely represent residential households

Top pay-TV providers 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 findings

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

Cable Companies	Subscribers at end of 2Q 2023	Net Adds in 2Q 2023
Comcast	32,305,000	(19,000)
Charter	30,586,000	77,000
Altice	4,576,100	(36,600)
Cable One	1,057,900	(5,100)
Breezeline*	680,785	(6,734)
Other major private companies**	7,035,000	0
<b>Total Top Cable</b>	<b>76,240,785</b>	<b>9,566</b>
<b>Wireline Phone Companies</b>		
AT&T	15,304,000	(41,000)
Verizon	7,562,000	34,000
Lumen	2,909,000	(72,000)
Frontier	2,865,000	2,000
Windstream^	1,175,000	0
TDS	523,600	8,200
Consolidated	376,829	6,967
<b>Total Top Wireline Phone</b>	<b>30,715,429</b>	<b>(61,833)</b>
<b>Fixed Wireless Services</b>		
T-Mobile	3,678,000	509,000
Verizon*	2,260,000	384,000
<b>Total Top Fixed Wireless</b>	<b>5,938,000</b>	<b>893,000</b>
<b>Total Top Broadband</b>	<b>112,894,214</b>	<b>840,733</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* Includes reporting adjustments by the company

\*\* Includes LRG estimates for Cox and Mediacom

^ LRG estimate

TDS residential subscribers, includes 319,400 wireline subscribers and 204,200 cable subscribers  
Company subscriber counts may not solely represent residential households – about 7% 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



# LRG

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