



Leichtman Research Group Research Notes

3Q 2020 *Actionable Research on the Broadband, Media & Entertainment Industries*

A Quick Bite

On February 2, 2020, the Kansas City Chiefs scored 21 points in the fourth quarter to defeat the San Francisco 49ers in Super Bowl LIV. As typical with Super Bowl broadcasts, many of the approximately 115 million viewers were casual sports fans who may better recall J.Lo and Shakira’s halftime show, or the commercials, than Patrick Mahomes’ MVP performance in the game.

As Super Bowls have become one of the dwindling opportunities to reach a mass audience, companies were readily willing to spend a record \$5.6 million for an advertisement during the game. Joining

the ranks of traditional advertising for beer, automobiles, and snack foods were ads for streaming video services, including Hulu, Disney+ and Amazon Prime Video.

This group was also joined by a new short-form, mobile-centric streaming service called Quibi (short for Quick Bites) that was not going

to be available to consumers until April. Yet, prior to the actual launch of the service the coronavirus pandemic hit.

Now, less than six months after Quibi’s launch, it has been reported that the company was “exploring strategic options” after struggling to attract subscribers. Certainly, the coronavirus had an impact on Quibi’s business, but **to focus solely on the pandemic’s effect on this new service masks broader issues** that

could help us learn from the company’s progress thus far.

Quibi was based on a sound premise that video watched on non-TV devices (including mobile phones) is growing; and that short-form content is preferred on these smaller devices. As detailed later in these Research Notes, LRG’s recent *Emerging Video Services 2020* study (fielded in June-July) found that:

- 55% of all adults watch video on non-TV devices (including mobile phones, home computers, tablets, and eReaders) daily – compared to 51% in 2019
- This includes, 44% of adults that watch video on a mobile phone daily – compared to 40% in 2019

As discussed in prior Research Notes (as well as many other sources), connected TV viewing and the use of streaming services in the home significantly increased with people confined to the home due to the coronavirus pandemic. **But this does not necessarily mean that video watched on mobile phones and other non-TV devices decreased as a result.**

In fact, video watched on mobile phones continued to expand, but it was more likely than ever before to be watched in the home. This year’s study found that:

- 86% of mobile phone video users reported that they typically watched video on their phone at home, compared to 76% in 2019, and 71% in 2015

In this issue:

A Quick Bite

78% of U.S. Households Have an SVOD Service

Major Pay-TV Providers Lost About 1,570,000 Subscribers in 2Q 2020

About 1,245,000 Added Broadband in 2Q 2020

Industry by the Numbers

The study also found that the most common type of video watched on non-TV devices is YouTube, followed by news clips.

- 46% of adults watch YouTube on non-TV devices daily, 69% at least weekly, and 78% at least monthly
- 33% of adults watch news clips on non-TV devices daily, 57% at least weekly, and 67% at least monthly

While other short-form content like music videos and sports highlights also continue to be among the most frequently watched types of video on non-TV devices, Quibi and TikTok (introduced in the U.S. in August 2018) are more recent mobile-centric video options. The study indicated that:

- **11% of adults watch TikTok on non-TV devices daily**, 19% at least weekly, and 24% at least monthly
- **1% of adults watch Quibi on non-TV devices daily**, 4% at least weekly, and 6% at least monthly

Even though the survey was fielded within three months of the launch of Quibi, when the service was free to all users, the figures above demonstrate that it was struggling to find an active user base.

A differentiating characteristic of Quibi is that it is professionally-produced short-form content. But another difference from most others in the category is that consumers are required to *pay* for this previously unknown content. **LRG's survey found that willingness to pay for the service beyond the free trial was tepid**, with 32% of Quibi users agreeing (8-10) that they were likely to pay \$4.99 per month when their free trial ended, and 27% disagreeing (1-3).

Quibi's challenge in building an active subscriber base goes well beyond the

fact that it was designed specifically for mobile phone viewing at a time when people were spending much more time at home. It is also a reminder that regardless of experienced leadership and strong financial backing, **no streaming video business model is a gimme; particularly one that includes consumers paying to subscribe when there is a plethora of free alternatives.**

The book on Quibi is not yet fully written, new services are not always instant successes, and companies certainly can recover from early missteps. But Quibi's Super Bowl ad, and the related consumer response, may have foreshadowed the difficulties ahead.

A start-up spending \$5.6 million for a 30-second spot centered around a humorous bank heist to introduce a new service and concept, well before the service was even available, was as audacious and complicated as it sounds.

In USA Today's Ad Meter ratings of the 62 commercials aired during the Super Bowl, Quibi's ad ranked 58th – only ahead of an ad for Pop-Tarts, and campaign ads for Mike Bloomberg and Donald Trump.



Did You Know ...

Among those that watch any video on non-TV devices, 57% agree (8-10) that the longer the video, the larger the screen they like to watch it on, while 12% disagree (1-3)

78% of U.S. Households Have an SVOD Service

New consumer research from Leichtman Research Group, Inc. finds that 78% of all U.S. households have a subscription video on-Demand (SVOD) service from Netflix, Amazon Prime, and/or Hulu – up from 69% in 2018, and 52% in 2015. In addition, 55% of U.S. households now have more than one of these SVOD services, an increase from 43% in 2018, and 20% in 2015.

Usage of these SVOD services has also significantly increased in recent years. Daily, 40% of all adults stream an SVOD service – up from 30% in 2018, and 16% in 2015. Younger adults are the most active streamers, with ages 18-44 accounting for 63% of daily SVOD users.

These findings are based on a survey of about 1,990 households nationwide and are part of a new LRG study, *Emerging Video Services 2020*. This is LRG's fourteenth annual study on this topic

Other related findings include:

- 55% of ages 18-44 stream an SVOD service daily – compared to 27% of ages 45+
- 30% with Netflix agree that their subscription is shared with others outside their household – compared to 23% with Hulu, and 20% with Amazon Prime
- Including twelve additional streaming video services, 82% of all households have at least one SVOD or DTC service, and 49% have three or more services
- 55% of adults watch video on non-TV devices (including mobile phones, home computers, tablets, and eReaders) daily – up from 46% in 2018, and 33% in 2015

- 44% of adults watch video on a mobile phone daily – up from 35% in 2018, and 20% in 2015

Nearly four-fifths of U.S. households now have a top SVOD service, and 40% of all adults stream an SVOD service daily, including over half of all ages 18-44. The adoption and use of these established SVOD services along with newer direct-to-consumer streaming video options have increased over the past year, spurred more recently by the impact of the coronavirus pandemic.



Did You Know ...

90% of ages 18-44 have an SVOD service – compared to 74% of ages 45-64, and 51% of ages 65+

Major Pay-TV Providers Lost About 1,570,000 Subscribers in 2Q 2020

Leichtman Research Group, Inc. found that the largest pay-TV providers in the U.S. – representing about 95% of the market – lost about 1,570,000 net video subscribers in 2Q 2020, compared to a pro forma net loss of about 2,065,000 in 1Q 2020, and 1,330,000 subscribers in 2Q 2019.

The top pay-TV providers now account for about 82.4 million subscribers – with the top seven cable companies having 44.7 million video subscribers, satellite TV services 23.3 million subscribers, the top telephone companies 8.0 million subscribers, and the top publicly reporting Internet-delivered (vMVPD) pay-TV services 6.4 million subscribers.

Key findings for the quarter include:

- Satellite TV services lost about 885,000 subscribers in 2Q 2020 – compared to a loss of about 860,000 subscribers in 2Q 2019
- The top seven cable companies lost about 500,000 video subscribers in 2Q 2020 – compared to a loss of about 455,000 subscribers in 2Q 2019
- The top telephone providers lost about 160,000 video subscribers in 2Q 2020 – compared to a loss of about 95,000 subscribers in 2Q 2019
- The top publicly reporting Internet-delivered (vMVPD) services (Hulu + Live TV, Sling TV, and AT&T TV NOW) lost about 25,000 subscribers in 2Q 2020 – compared to about 80,000 net adds in 2Q 2019

This quarter marked the sixth consecutive quarter with over one million pay-TV net losses; still these losses were about a half million fewer than in 1Q 2020.

The pay-TV industry as a whole continues to rapidly lose subscribers. However, the wide disparity in performance among top providers in the quarter demonstrates the significance of individual corporate strategies.



Did You Know ...

10% of all TV households are pay-TV non-subscribers that use an antenna to watch over-the-air broadcast TV at least monthly – about two-thirds of this group also have an SVOD service

About 1,245,000 Added Broadband in 2Q 2020

Leichtman Research Group, Inc. found that the largest cable and telephone providers in the U.S. – representing about 96% of the market – acquired about 1,245,000 net additional broadband Internet subscribers in 2Q 2020, compared to a pro forma gain of about 375,000 subscribers in 2Q 2019.

These top broadband providers now account for about 103.3 million subscribers, with top cable companies having 70.6 million broadband subscribers, and top wireline phone companies having 32.7 million subscribers.

Findings for the quarter include:

- Overall, broadband additions in 2Q 2020 were 870,000 more than in 2Q 2019
 - Broadband additions in 2Q 2020 were the most in any quarter since 1Q 2012
- The top cable companies added about 1,400,000 subs in 2Q 2020 – compared to a net gain of about 530,000 subs in 2Q 2019
 - Cable broadband net adds in 2Q 2020 were the most in any quarter since 1Q 2007
 - Charter's 850,000 net adds in 2Q 2020 were more than for any provider in any previous quarter
- The top wireline phone companies had a net loss of about 155,000 subs in 2Q 2020 – compared to a net loss of about 160,000 subs in 2Q 2019

With the continued impact of the coronavirus pandemic, there were more quarterly net broadband additions in 2Q 2020 than in any quarter in eight years. In the first half of 2020, there were over 2.4 million net broadband additions. This is the most net adds in the first half of any year since 2008.

Industry by the Numbers

Top Pay-TV Providers in the U.S.

Cable Companies	Subscribers at end of 2Q 2020	Net Adds in 2Q 2020
Comcast	20,367,000	(478,000)
Charter	16,168,000	94,000
Cox*	3,770,000	(50,000)
Altice	3,102,900	(34,600)
Mediacom	676,000	(17,000)
Atlantic Broadband**	311,845	(2,800)
Cable One	290,000	(13,000)
Total Top Cable	44,685,745	(501,400)
Satellite Services (DBS)		
DIRECTV^	14,290,000	(846,000)
DISH TV^^	9,017,000	(40,000)
Total DBS	23,307,000	(886,000)
Phone Companies		
Verizon FiOS	4,062,000	(83,000)
AT&T U-verse^	3,400,000	(40,000)
Frontier^^^	560,000	(34,000)
Total Top Phone	8,022,000	(157,000)
Internet-Delivered (vMVPD)		
Hulu + Live TV	3,400,000	100,000
Sling TV	2,255,000	(56,000)
AT&T TV NOW	720,000	(68,000)
Total Top vMVPD	6,375,000	(24,000)
Total Top Pay-TV	82,389,745	(1,568,400)

Sources: The Companies and Leichtman Research Group, Inc.

* LRG estimate

** Includes LRG estimate of pro forma net adds from recent acquisition

^ AT&T combines non-vMVPDs as "Premium TV" – separate results are LRG estimates with AT&T TV included with U-verse

^^ DISH TV removed 250,000 subs representing commercial accounts impacted by COVID-19 in 1Q 2020. In 2Q 2020, 45,000 resumed normal service. DISH includes these subs in the total, but excludes them from net add/loss calculations.

^^^ Frontier includes the sale of Northwest Operations in 2Q 2020

Company subscriber counts may not solely represent residential households

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

vMVPD does not include YouTube TV or others that do not report quarterly subscriber totals

Top cable companies do not include overbuilder WOW with 351,700 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 2020	Net Adds in 2Q 2020
Comcast	29,429,000	323,000
Charter*	28,096,000	850,000
Cox**	5,280,000	50,000
Altice	4,307,800	70,400
Mediacom	1,396,000	47,000
Cable One	838,000	45,000
WOW (WideOpenWest)	805,600	8,000
Atlantic Broadband^	478,689	6,000
Total Top Cable	70,631,089	1,399,400
Telephone Companies		
AT&T	15,201,000	(114,000)
Verizon	6,959,000	(23,000)
CenturyLink	4,638,000	(29,000)
Frontier^^	3,142,000	(41,000)
Windstream	1,089,400	22,100
Consolidated	791,203	5,078
TDS	479,500	19,500
Cincinnati Bell	432,000	4,500
Total Top Phone	32,732,103	(155,822)
Total Top Broadband	103,363,192	1,243,578

Sources: The Companies and Leichtman Research Group, Inc.

* Charter's 2Q 2020 results include about 160,000 net adds with 60-day free service related to the impact of COVID-19

** LRG estimate

^ Includes LRG estimate of pro forma net adds from recent acquisition

^^ Frontier includes the sale of Northwest Operations in 2Q 2020

TDS includes 275,800 wireline broadband subscribers, and 203,700 cable broadband 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



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