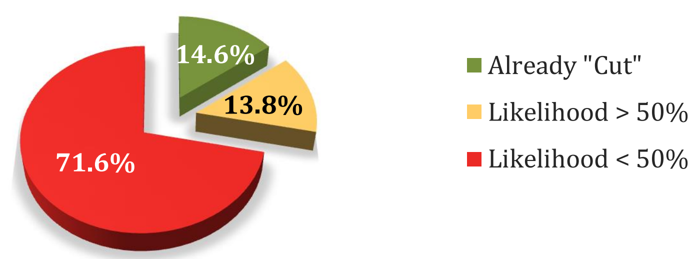
TV Everywhere
Follow-Up Research Results, 3/18/15

Ninety-six (96) consumers who participated in the baseline Television Everywhere Research (TVE) last August were re-contacted six months later to determine the degree to which this audience had actually followed through with their stated intention to “cut the cord” with their cable/satellite vendor and rely exclusively on a combination of digital antennae and the Internet to acquire digital video content.

In August of 2014, these 96 individuals had estimated the odds of discontinuing their cable/satellite service within the next year at 50% or greater. They constitute a cohort of US consumers that represented approximately 13.8% of all cable/satellite subscribers in August 2014.

Likelihood to "Cut the Cord" August 2014

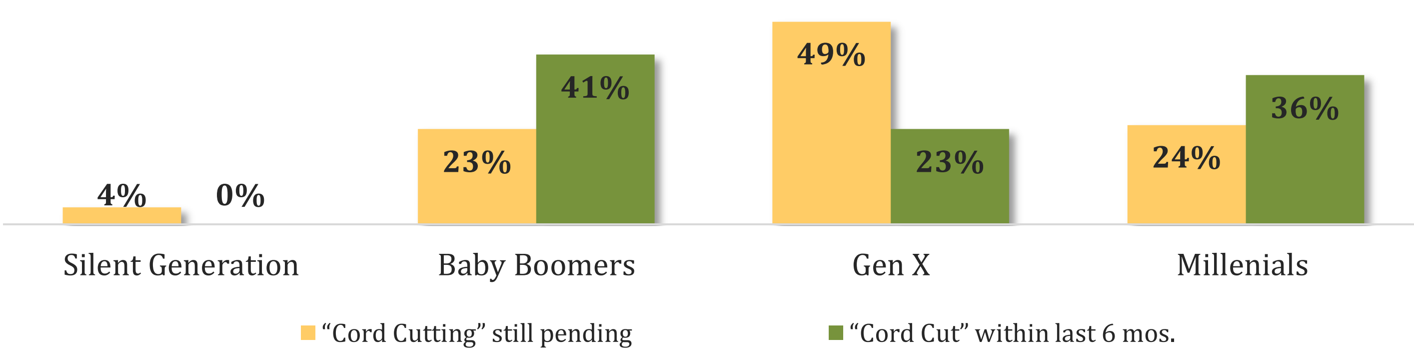


Six months after this assessment, we discovered that 22 of the 96 “pending” cord cutters had actually discontinued their cable/satellite service. Applying this finding to the “cut the cord” mix represented in the chart presented above, the total size of the US “cord cutter” market increased from 14.6% to 15.7% of the total market between August of 2014 and February 2015.

Though relatively small when considered in light of the total size of the video content delivery market, the trend is significant because it suggests that by August 2015, the cord cutter market will increase to 16.8%.

One finding that caught our attention was in regard to the age of the consumers who actually “cut the cord” within the last six months. Though the strong predisposition found among millenials was reflected in the “cord cutting” profile, it was actually members of the baby boom generation that led the “cord cutting” movement.

Age Cohort Cord Cutting Comparison
Last 6 Months

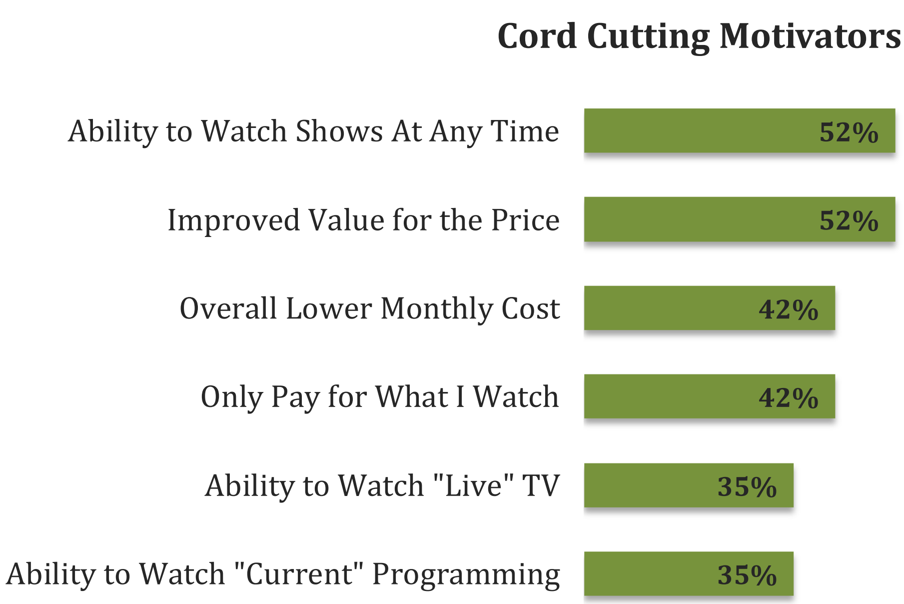


"Cord cutting" is definitely driven by a desire to reduce the cost of accessing video content. Fifty-five percent of the consumers who "cut the cord" within the last six months cite a desire to reduce expenses as having the most influence over their decision. When considered in terms of the age profile of cord cutters, it appears that baby boomers are focused on reducing the amount they have been paying for video content, while millenials don't have the money to start a cable/satellite subscription. These two dynamics create a "pincer movement" of shifting consumer willingness to support the traditional cable/satellite pricing structure.

Another interesting finding was the degree to which individuals who considered themselves likely to "cut the cord" last August have changed their minds and are no longer interested in shifting away from their cable/satellite subscription.

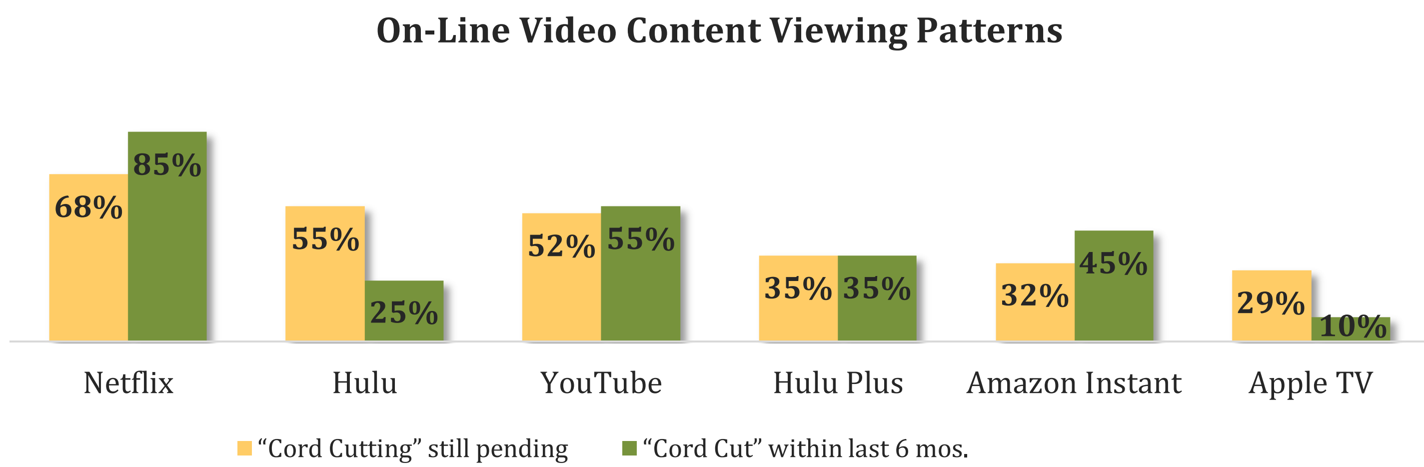
When we look at those research respondents who have not acted on their previously stated likelihood to "cut the cord", we find that only 30% of these cohorts still anticipate discontinuing their cable/satellite subscription. Twenty-seven percent of this group is now undecided and 43% have determined that "cutting the cord" is not likely to happen in the foreseeable future. This finding underscores the gap between perception and reality and that the actual process of "cord cutting" is not as attractive as it first appears.

What will motivate these reluctant "cord cutters" to actually make the move? It appears that a combination of expense reduction and greater control over video content viewing are key to accelerating the "cord cutting" movement.

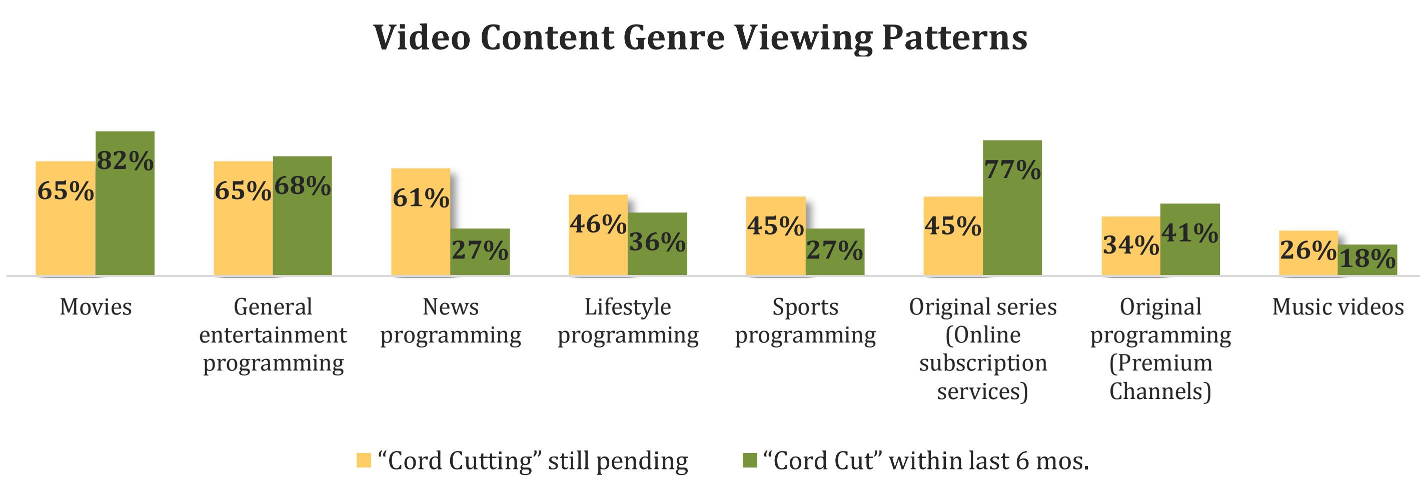


Video Content Viewing Patterns

There is a very significant difference in the content viewing patterns of consumers who acted upon their inclination to "cut the cord" and those who did not. The following table shows that Netflix and YouTube are the most commonly used video content providers by "cord cutters." Folks who have not acted upon their interest in cord cutting, however, are disproportionately likely to watch Hulu and Apple TV. The key difference between the two cohorts is the cost of accessing video content. Both Hulu and Apple are less appealing to actual "cord cutters" than pending "cord cutters."

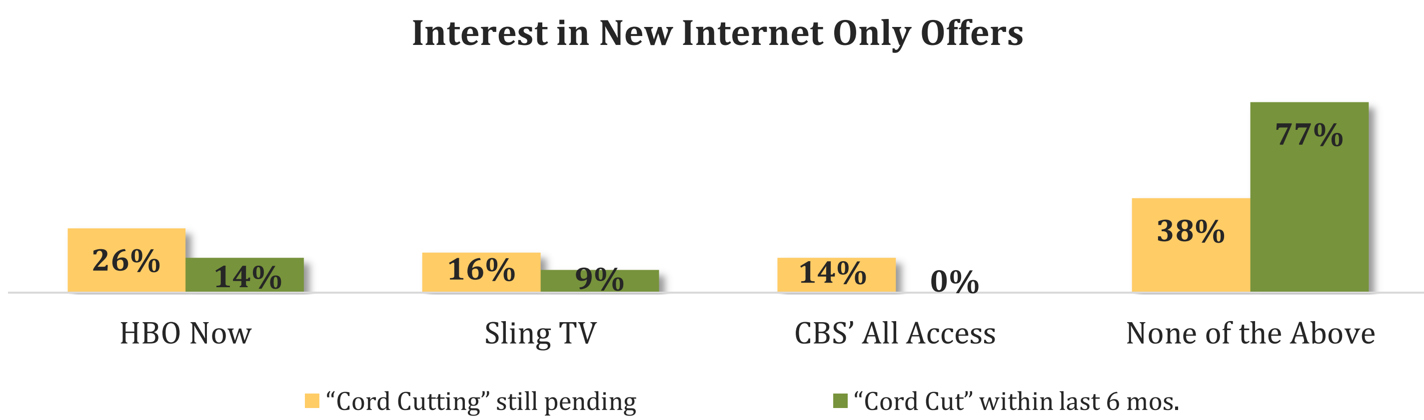


An even larger number of statistically significant differentiators between these two cohorts are discovered when looking at the genres of video content watched by these two groups.



A desire to watch news programming turns out to be the most significant difference between pending and actual cord cutters. News, along with sports and music videos, are the content categories currently slowing the pace of "cord cutting."

The final question addressed by our re-contact research concerned interest in recent Internet delivered content offers. Though counter-intuitive, the research shows that pending "cord cutters" are significantly more interested in these new offers than actual "cord cutters."



Given the driving theme of cost cutting/price sensitivity in motivating consumers to "cut the cord," it is understandable that new services that do charge a premium will be of less interest to consumers who have already cut the cord than those consumers still contemplating the move. The central challenge facing companies desiring to exploit opportunities related to "cord cutting" will be offering increased video content viewing control (i.e., watching what I want when I want on any device I want from any location) without charging a premium.

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