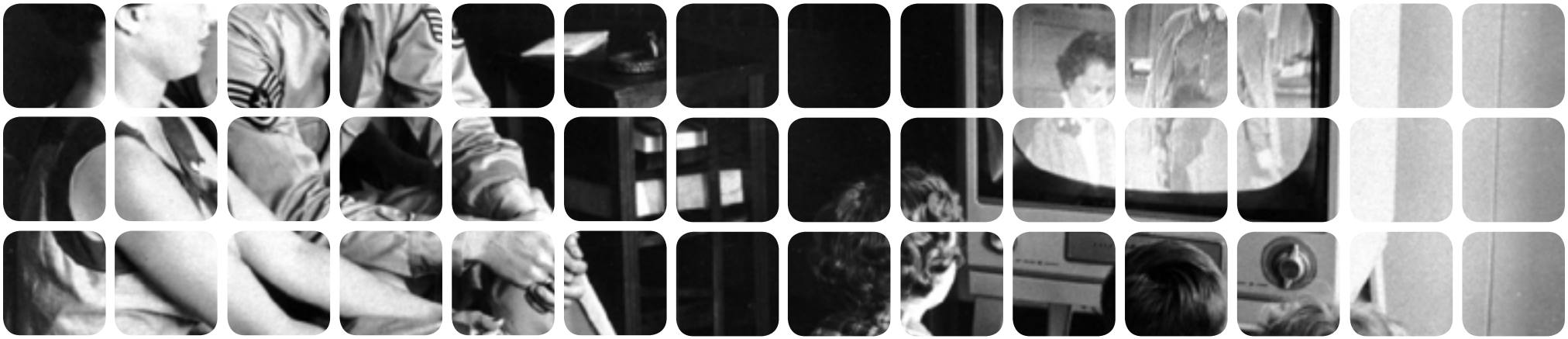
2016

Cord Cutter &
Cord Never Study



Welcome to the 2016 Cord Cutter & Cord Never Study

Our 2016 Cord Cutter & Cord Never Study builds on our 2014 Cord Cutter Study by providing a focused look at both US consumers who opted out of subscription-based paid-TV service in the last two years (i.e. Cord Cutters) as well as US consumers who have never subscribed to paid-TV service (i.e. Cord Nevers). The inclusion of Cord Nevers in this version is reflective of the growing trend, particularly among younger consumers, to opt for streaming services and avoid subscription-based paid-TV altogether.

In this study, we uncover the key reasons and frustrations that led Cord Cutters to terminate their paid-TV subscription and Cord Nevers to avoid this service altogether. Additionally, we also examine the types of services (paid and unpaid) that these consumers use to access content, the types of devices they use to consume it, and how much they typically spend on these services.

Methodology:

+ Online survey of 1,119 US consumers
    + 759 Cord Cutters (cut the cord in the last 2 years)
    + 360 Cord Nevers
+ Sample is representative of US market
+ Field dates: July 25 through August 1, 2016

Summary of Key Findings

Consistent with our 2014 findings, the main reasons why US consumers cut the cord or choose not to subscribe to paid-TV include:

Top 5 Frustrations Driving Cord Cutting:

1. Not getting competitive / reasonable rates / pricing
2. Having to pay for channels / content I don't watch
3. Being nickeled and dimed with multiple fees and charges
4. I could no longer afford Paid-TV / it was too expensive
5. New customers getting better deals than existing ones

Top 5 Reasons Why Cord Nevers Do Not Subscribe to Paid-TV:

1. Paid-TV is too expensive
2. Streaming services allow me to view content based on my schedule
3. I don't want to pay for channels / content I don't watch
4. I get a much better deal by using streaming services
5. Streaming services allow me to watch back to back episodes of my favorite shows

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There is a common belief that cutting the cord leads to equally high monthly expenses when the higher cost of standalone (i.e. non-bundled) Internet is combined with the costs of subscribing to multiple streaming services. However, our study shows the average Cord Cutter saves $104 a month after cutting the cord. These savings come from the $92 gained by cancelling Paid-TV subscription and $18 saved by cancelling landline service. On average, Internet service expenditure increases by less than $1 and spending on streaming services increases by $5 after cutting the cord.

Summary of Key Findings

Cord Cutters' monthly savings after cutting the cord means that Paid-TV providers lose, on average, $1,248 annually per Cord Cutter. Industry data suggests that 800,000 U.S. consumers will cut the cord over the next 12 months, resulting in Paid-TV projected revenue loss of $998 million. Paid-TV Providers will need to adapt in order to avoid even greater losses as the percentage of U.S. consumers who do not have any Paid-TV services continues to grow.

Unsurprisingly, the most popular paid streaming service among Cord Cutters and Cord Nevers is Netflix with 94% of respondents currently subscribing. Beyond Netflix, other paid streaming services have significantly lower market penetration. Amazon Prime Video, the second most popular paid streaming service, is used by only half of respondents. YouTube's free service is equally popular to Netflix among consumers, but their premium paid offering is used by only 4% of Cord Cutters and Cord Nevers.

The vast majority of Cord Cutters and Cord Nevers report being able to access most or all of the content they want to watch, a trend which increases the longer they are away from Paid-TV. Individual TV shows are the most common type of missing content, followed by live sporting events. The majority of Cord Cutters and Cord Nevers make no efforts to watch this missing content, but common workarounds include: individual providers' streaming platforms, purchasing the missing content, visiting a bar or restaurant to watch a sporting event, and peer-to-peer sites.

Among our respondents no single streaming device is dominant, although the popularity of Smart TVs and Smart Blu-Ray/DVD Players confirms predictions made in our 2015 Streaming Media Player Study that devices with inbuilt streaming capabilities will put increasing pressure on plug-in hardware. Streaming device preference falls into distinct age profiles: older consumers are much more likely to watch content through Smart TVs, Antennas and Rokus; while younger consumers are more likely to use gaming devices. This age trend is also reflected in respondents' screen choice: while the majority of older respondents primarily watch content on their TV, younger respondents consume content across a wider variety of devices such as their smart phones and computers.

Summary of Key Findings

Overall, 84% of Cord Cutters are happy with their decision to cut the cord and less than 2% plan on returning to Paid-TV in the next 12 months. Industry data suggests there are 5.5 million Cord Cutting households in the U.S., so only 110,000 ex-subscribers are likely to return to Paid-TV over the next year. Interestingly, consumers who cut the cord in the last month are more than twice as likely to regret their decision, with 4% indicating they plan to on returning to Paid-TV in the next 12 months; this represents an opportunity for Paid-TV providers to recapture these consumers by capitalizing on cutter's remorse. Cord Nevers, on the other hand, report a slightly higher inclination to subscribe to Paid-TV than Cord Cutters with 6% stating they are very or extremely likely to subscribe in the next 12 months. As there are an estimated 16.9 million Cord Never households in the U.S., this creates a significant, 1 million household opportunity for Paid-TV providers to capture dissatisfied Cord Nevers, if they can offer Cord Nevers the control and flexibility they value.

Our study confirms the popular image of Cord Nevers as being younger than Cord Cutters: 31% of Cord Never respondents are between 18-24 years old, compared to 11% of Cord Cutters. Cord Nevers are also significantly more likely to earn less than $50,000 a year, supporting the finding that the cost of Paid-TV is a major disincentive to subscribing. As this younger generation ages and acquires increasing spending power, it will be interesting to see how their preference for flexibility, alternative viewing patterns and control over cost impacts the traditional Paid-TV model of couch-bound, multi-channel viewing.

“I just wasn’t getting my money’s worth from my cable package. I was able to spend less money overall by subscribing to Netflix, watching free stuff on Hulu and Crackle, and purchasing the occasional paid cable show from iTunes.”

– Cord Cutter

Cord Cutters are driven by frustrations around the cost of Paid-TV; Cord Nevers are also driven by the desire to control what they watch.

Top 10 Frustrations Driving Cord Cutting:	% Contributed Significantly
Not getting competitive / reasonable rates / pricing	66%
Having to pay for channels / content I don't watch	63%
Being nickeled and dimed with multiple fees and charges	60%
I could no longer afford Paid-TV / it was too expensive	52%
New customers getting better deals than existing ones	50%
All my favorite content was available elsewhere	33%
Having to be locked into a contract	29%
Trying to be sold on services/options I don't need or want	29%
I did not value the content/service provided	28%
Feeling like they don't deliver on their promise / care about me as a customer	28%

Top 10 Reasons Why Cord Nevers Do Not Subscribe to Paid-TV:	% Contributed Significantly
Paid-TV is too expensive	73%
Streaming services allow me to view content based on my schedule	71%
I don't want to pay for channels / content I don't watch	71%
I get a much better deal by using streaming services	69%
Streaming services allow me to watch back to back episodes of my favorite shows	64%
Streaming services allow greater flexibility for where I want to view my content	63%
I can control my expenses more easily by using streaming services	59%
I want to avoid being locked-in to a cable contract	57%
All my favorite content is available through streaming services	47%
I don't want to rent / buy a cable box	38%

Cord Cutters save an average of $104 (56%) per month by leaving Paid-TV, but they still pay $12 more monthly than the average Cord Never.

CORD CUTTER MONTHLY SAVINGS

$187

TOTAL BEFORE CUTTING CORD

Cable	$92
Internet	$52
Streaming	$15
Home Phone	$28
TOTAL	$187

$83 56%

TOTAL AFTER CUTTING CORD ($104 SAVINGS)

Cable	-
Internet	$53
Streaming	$15
Home Phone	$10
TOTAL	$83

LEADING TO

$1,248

AVERAGE ANNUAL REVENUE LOSS PER CORD CUTTER

$998M

PROJECTED REVENUE LOSS DUE TO CORD CUTTING OVER THE NEXT 12 MONTHS*

*Figure calculated using industry survey data which estimates 800,000 U.S. Consumers will cut the cord from August 2016-17.

CORD NEVER MONTHLY EXPENDITURE

$71

TOTAL CORD NEVER SPENDING

Cable	-
Internet	$53
Streaming	$18
Home Phone	-
TOTAL	$71

Netflix has the highest subscription rate of all paid services, while YouTube is the most commonly watched free streaming service

Streaming Services Used by Cord Cutters	Have used in the last 3 months
NETFLIX*	93%
YouTube	83%
amazon Prime*	55%
hulu PLUS*	38%
iTunes*	30%
hulu	29%
HBO GO*/ HBO NOW	28%
CRACKLE	15%
SHOWTIME ANYTIME*	11%
CBS ALL ACCESS*	7%
YouTube Red*	4%

*Paid Services

Streaming Services Used by Cord Nevers	Have used in the last 3 months
NETFLIX*	95%
YouTube	85%
amazon Prime*	44%
hulu PLUS*	29%
hulu	21%
iTunes*	21%
HBO GO*/ HBO NOW	13%
CRACKLE	8%
CBS ALL ACCESS*	4%
YouTube Red*	4%
SHOWTIME ANYTIME*	2%

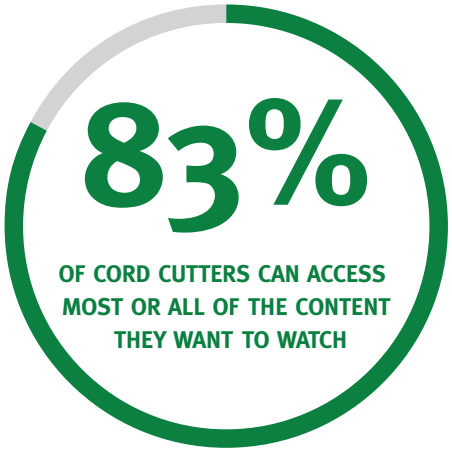
*Paid Services

“I can get most of my shows online.
Paying for TV has never been worth it.”

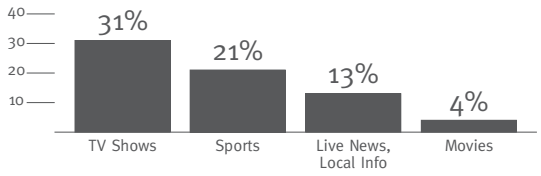
– Cord Never

Most Cord Cutters and Cord Nevers can access the content they want to watch without Paid TV; TV shows, live sports, and live news are the most missed content

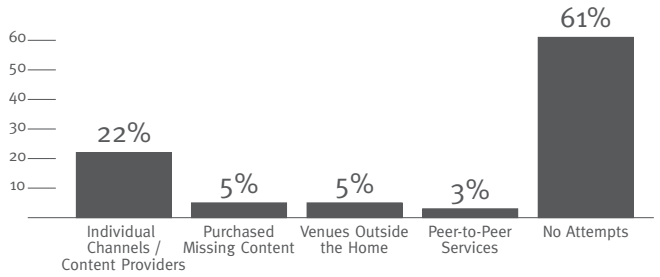
CORD CUTTERS



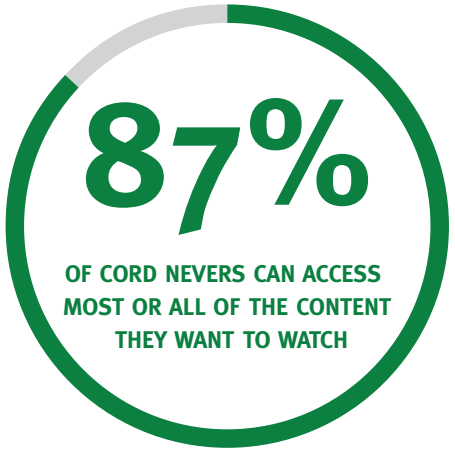
WHAT CONTENT CONSUMERS THINK THEY CAN'T ACCESS



WHAT EFFORTS CONSUMERS MAKE TO ACCESS MISSING CONTENT



CORD NEVERS



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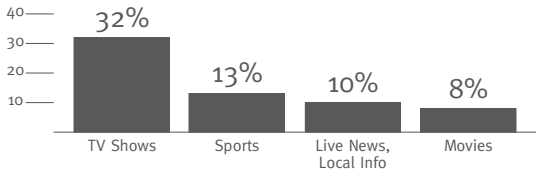

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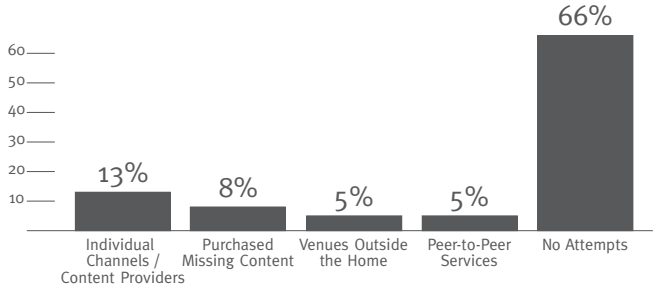
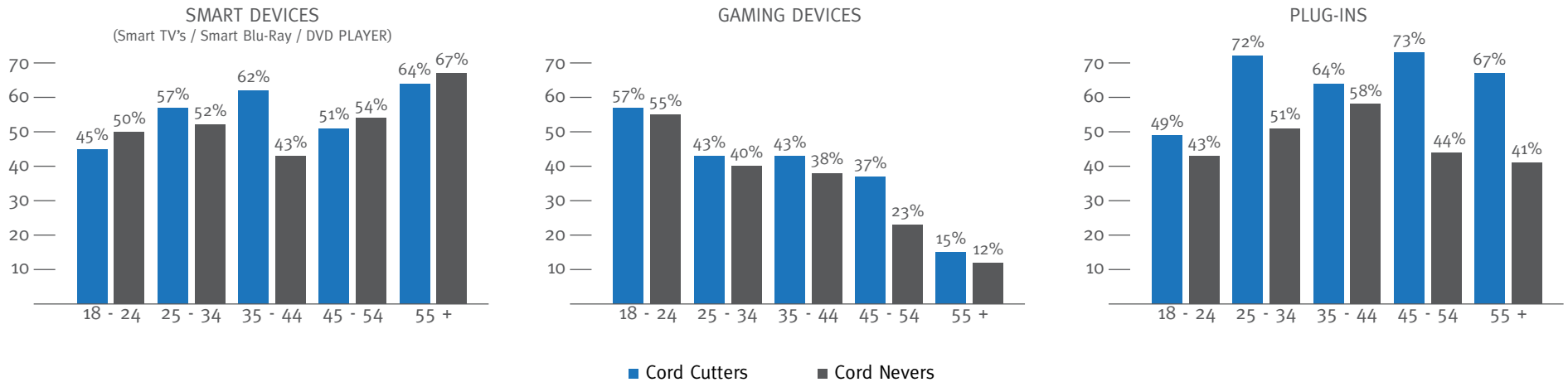


No one streaming device is dominant among Cord Cutters or Cord Nevers, but 'Smart' devices are popular among both groups.

Streaming Devices Owned by Cord Cutters	% Total
Smart TV	37%
Smart Blu-Ray / DVD Player	35%
Roku	33%
Antenna	27%
Playstation	23%
Xbox	23%
Amazon Fire	23%
Google Chromecast	17%
Apple TV	16%
Other	13%

Streaming Devices Owned by Cord Cutters	% Total
Smart Blu-Ray / DVD Player	34%
Smart TV	28%
Playstation	22%
Xbox	21%
Roku	19%
Antenna	19%
Google Chromecast	13%
Amazon Fire	13%
Apple TV	11%
Other	22%

PREFERRED DEVICES FALL INTO DISTINCT AGE VIEWING PROFILES



“Everything is too expensive. Too much is included that I don’t use. And everything is on my cell phone now.”

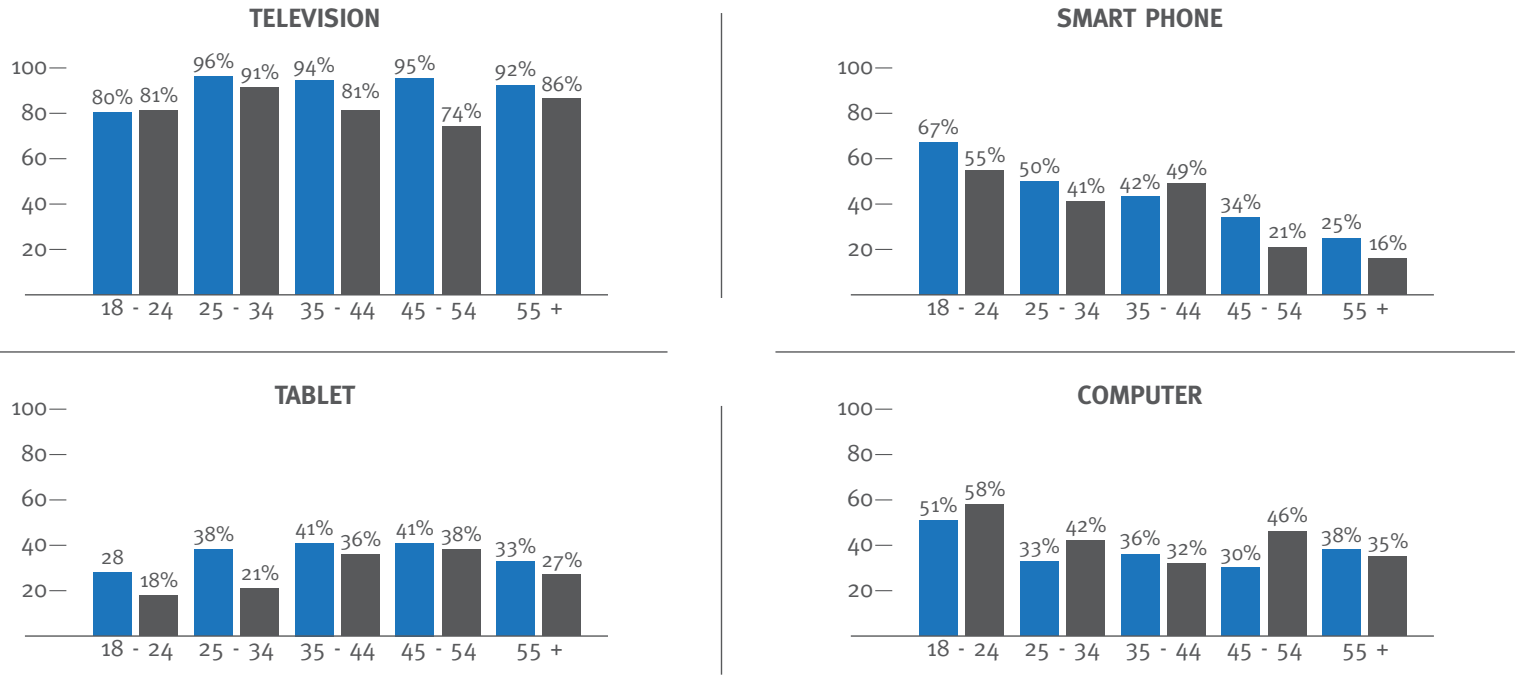
– Cord Cutter

While most respondents still view streamed content through their TVs, younger consumers are more likely to access streaming services on their phones, tablets and computers.

Types of Screens Watched by Cord Cutters	% Total
Television	93%
Smart Phone	43%
Tablet	38%
Computer	36%

Types of Screens Watched by Cord Nevers	% Total
Television	84%
Computer	45%
Smart Phone	41%
Tablet	25%

DISTINCT AGE VIEWING PROFILES



“No services have all the movies and shows that I want to see. Shows that stream immediately after broadcast are also rare.”

– Cord Never

There is an opportunity to recapture Cord Cutters experiencing cutter's remorse.

84% of Cord Cutters are happy with their decision to cut the cord

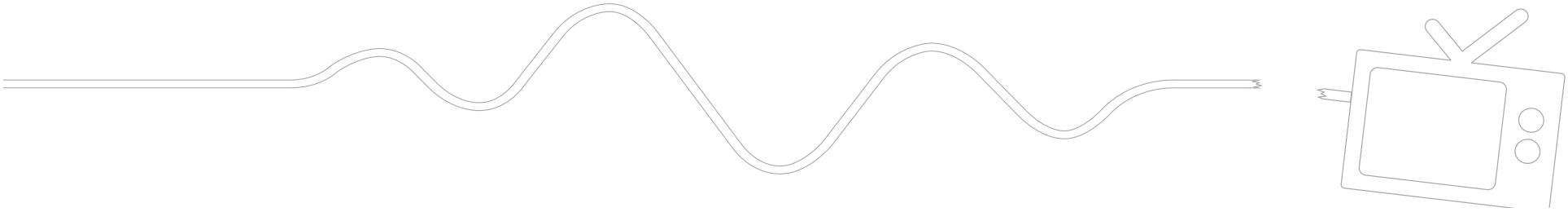
Only 2% of Cord Cutters plan to return to Paid TV in the next 12 months

So only **110,000** U.S. Cord Cutter households are likely to return to Paid-TV.

Respondents who cut the cord in the last month are twice as likely to return to Paid TV in the next 12 months (4%)

6% of Cord Nevers are very or extremely likely to subscribe in the next 12 months

Creating an opportunity for Paid-TV providers to capture **1 million** Cord Never households



DON'T PANIC

About cg42

The biggest challenges require the boldest moves.

Since 2010, cg42 has helped some of the world's most important companies address their biggest challenges.

+ How to put the customer first?
+ How to be one company?
+ How to compete on your terms?
+ How to grow?

Our clients all share one thing: they operate in mature, highly competitive, disruption-ready categories. We help them define and execute the bold moves required to drive rapid market share gain.

We do this by asking the questions others haven't thought to ask, treating insights as a competitive advantage, and determining the bold moves that will align all parts of our clients' organization to create positive change.

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