Pay TV - US - October 2012

Scope and Themes

"The specter of cord-cutting is omnipresent. Whenever churn turns up a few basis points, mainstream media float articles about the death of pay TV services. There are legitimate long-term concerns related to cord-cutting, but just as many might stem from the launch of branded smart TVs in 2012."

– Billy Hulkower, Senior Technology Analyst

In this report we answer the key questions:

- **When will cord-cutting happen?**
- **What can the industry due to avoid cord-cutting?**
- **Is it really possible to police the internet?**
- **How can individual pay TV brands protect themselves?**
- **Why is DVR service at risk?**

The pay TV industry is in a predicament. Capital expenditure on infrastructure and software is creating ultra high-speed internet service, multiroom and look-back DVR, new user interfaces, and enormous VOD libraries, features desired by the vast majority of subscribers. Simultaneously, the limited portion of the subscriber base interested in switching carriers (about 25% of subscribers) is focused almost solely on price points. With subscriptions at nearly all-time highs (about 84% of households), there is little room for growing new subscriptions. As such, growth will be based on ARPU increases, but it will be difficult to create these increases when providers are also offering fire-sale promotions in efforts to pick up dissatisfied subscribers from other providers.

This environment creates a scenario where pay TV providers will need to create much more complicated pricing structures

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market.

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that allow for bottom-of-the-barrel pricing to poach the subscribers of competitors, while also increasing ARPU among loyalists who want advanced services. This report aims to provide the data and actionable suggestions necessary to achieve this aim.

For the purposes of this report, pay TV is defined as a service that delivers video content to the consumer for viewing through a television set. Video signals can be transmitted through various technologies, which include coaxial cable, fiber optic cable, and satellite dish. The market analyzed herein covers the distribution of pay TV content but not the creation of the content itself. This report builds on the analysis presented in Mintel's *Televisions—U.S., January 2011*.

The report explores sales of four services to consumers: pay TV, home phone, home internet, and mobile internet, as well as the bundling of these services together. However, the primary subject of the report is television services. Sales data presented in this report includes sales of pay TV subscriptions only. Advertising revenue, VOD and PPV revenue, sales of internet service, and sales of home phone service are not presented.

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