



## 4K TV Entering the Growth Stage

A recent industry newsletter reported that Sony was releasing a 98-inch 8K TV set at a cost of \$70,000. Clearly this huge set with an equally giant price tag is not targeted at a mainstream consumer. Nor is the 85-inch model at a sticker price of \$13,000.

A more representative picture of the current market for TV sets is found by looking at the TVs being sold at Best Buy. **Of the 287 types of new TVs available on Best Buy's web site, just eight are 8K TVs.** These include the two sets mentioned above, as well as a comparatively more modestly priced 75-inch Samsung for \$6,500, and \$3,500 for the 55-inch version. However,

55-inch Samsung 4K sets are also available for as low as \$430.

These pricing differences demonstrate the common practice in many industries of offering products with cutting-edge technology – in this case 8K TV sets – at a high price in the introduction stage of the product life cycle. This provides the ability to skim the market of early adopters willing and able to pay to be among the first to have the new sets, even as the majority of buyers shop for more reasonably priced models.

While there is extremely limited consumer demand for a 98-inch TV set at any cost, or even for the newest 8K TV

priced at \$3,500, the market for TV sets in the U.S. remains very active. LRG's recent study, *Connected and 4K TVs 2019*, found that **for the fifteenth consecutive year, over 20% of adults say that they got a new TV set in their household in the past year**, demonstrating that TV sets are a recurring purchase item.

Despite the proliferation of screens capable of watching video (including computers, tablets, and smartphones), the number of TV sets used in U.S. households is similar to what it was several years ago. **The mean number of TVs used per household in this year's study was over 2.6 – nearly identical to the mean number of sets reported five years ago.** This represents about 320 million TV sets currently being used in U.S. households. As highlighted later in these Research Notes, these TVs are increasingly likely to be connected to the Internet, and these sets are also increasingly likely to be 4K Ultra HDTVs.

While the interest in getting a 4K TV among non-owners has never exceeded this year's level of 17%, **4K TV has been able to grow because of the ongoing purchasing of TVs in general, and the prices of 4K TVs decreasing over time.** In 2014, about one in every 200 TV households had a 4K TV, growing to about one in every six households over the past five years. This is a similar growth pattern to that of HDTV in its introduction stage at the turn of the century.

Also similar to the early years of HDTV is a confusion about whether content was actually being watched in HD, or now in 4K. At this point in the evolution of HDTV, LRG estimated that about half of HDTV

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owners were watching HD programming from a pay-TV provider. Yet one-quarter of HDTV owners *thought* that they were watching HD from pay-TV but were not actually watching HD programming.

In this year's study, the most common source cited for watching 4K content was Netflix, named by 40% of all with a 4K TV. However, among Netflix subscribers stating that they find 4K content from Netflix, only about one-third say that they have the Premium Plan, which is the level where 4K Ultra content is available. This suggests that a large number of Netflix subscribers may *believe* that they are watching 4K content when they are not.

Although some may be confused as to whether or not they are watching various types of 4K content, the study found that **59% of 4K HDTV owners strongly agree (8-10) that the picture quality on a 4K TV makes everything look better** even when not watching 4K content, while just 7% disagree (1-3).

The prior confusion over HD content declined as HDTVs became more commonplace. **It is important to recall that after reaching 17% penetration in 2006, HDTV expanded to 69% of TV households in 2011.** Spurred by a continued decrease in the prices of 4K TVs, and the fact that the vast majority of current 4K owners are pleased with their sets, we are now likely entering a similar growth stage of the product life-cycle for 4K HDTV. The study found that:

- 48% of non-4K TV owners planning to get a new TV in the next year are very interested in getting a 4K TV
- 41% of current 4K TV owners agree that they are interested in getting another 4K TV

As 8K TVs are being introduced, they are not yet in the picture for the majority of adults. Just 11% agree that they are

more interested in getting an 8K TV than a 4K TV, while 65% disagree. In the near term, while some early adopters may be fitting their family rooms for the newest state-of-the-art 8K set, a far greater number will be getting a new 4K TV.



#### Did You Know ...

Among those that purchased a TV in the past year, mean reported spending was \$621 – compared to \$671 in 2014, and \$622 in 2009

## 31% of Adults Watch Video via a Connected TV Device Daily

**N**ew consumer research from Leichtman Research Group, Inc. finds that 74% of U.S. TV households have at least one Internet-connected TV device, including connected Smart TVs, stand-alone streaming devices (like Roku, Amazon Fire TV stick or set-top box, Chromecast, or Apple TV), connected video game systems, and/or connected Blu-ray players. This is a similar level to last year, and an increase from 69% with at least one connected TV device in 2017, 50% in 2014, and 24% in 2010.

Overall, 31% of adults in U.S. TV households watch video on a TV via a connected device daily – compared to 25% in 2017, 11% in 2014, and 1% in 2010.

Younger individuals are most likely to use connected TV devices. Among adults ages 18-34, 53% watch video on a TV via a connected device daily, compared to 31% of ages 35-54, and 12% of ages 55+.

These findings are based on a survey of 1,150 TV households throughout the U.S., and are part of a new LRG study, *Connected and 4K TVs 2019*. This is LRG's sixteenth annual study on TV in the U.S.

Other findings include:

- 25% of adults with a pay-TV service watch video via a connected TV device daily – compared to 49% of pay-TV non-subscribers
- 49% of TV households have at least one stand-alone streaming device – up from 40% in 2017, and 17% in 2014
- 18% of adults watch video on a TV via a stand-alone device daily – compared to 12% in 2017, and 4% in 2014
- 14% of adults watch Internet-delivered video via a connected Smart TV daily – compared to 10% in 2017, and 4% in 2014
- 32% of all TVs in U.S. households are connected Smart TVs – an increase from 24% in 2017, and 7% in 2014
- 22% with annual household incomes >\$50,000 have a 4K HDTV – compared to 9% with annual household incomes <\$50,000
- 34% of those that got a new TV in the past year have a 4K HDTV

About three-quarters of all TV households in the U.S. now have at least one connected TV device, with a mean of 3.9 devices per connected TV household.

Over half of all adults watch video via a connected TV device at least weekly, an increase from one-quarter of adults five years ago, and nearly one-third of adults now use these devices daily.



#### Did You Know ...

The mean annual household income of those that got a new TV from Best Buy is 58% higher than those that got a new TV from Walmart

## Major Pay-TV Providers Lost About 1,325,000 Subscribers in 1Q 2019

Leichtman Research Group, Inc. found that the largest pay-TV providers in the U.S. – representing about 93% of the market – lost about 1,325,000 net video subscribers in 1Q 2019, compared to a pro forma net loss of about 305,000 subscribers in 1Q 2018.

The top pay-TV providers now account for about 87.8 million subscribers – with the top six cable companies having 46.7 million video subscribers, satellite TV services 28.3 million subscribers, the top telephone companies 8.9 million subscribers, and the top publicly reporting Internet-delivered (vMVPD) pay-TV services 3.9 million subscribers.

Key findings for the quarter include:

- Satellite TV services lost about 810,000 subscribers in 1Q 2019 – compared to a net loss of about 375,000 subscribers in 1Q 2018
  - DBS net losses were more than in any previous quarter, marking the fourth consecutive quarter of record net DBS losses

- The top six cable companies lost about 335,000 video subscribers in 1Q 2019 – compared to a loss of about 285,000 subscribers in 1Q 2018
- The top telephone providers lost about 105,000 video subscribers in 1Q 2019 – compared to a loss of about 50,000 subscribers in 1Q 2018
- Internet-delivered (vMVPD) services, Sling TV and DIRECTV NOW, lost about 75,000 subscribers in 1Q 2019 – compared to about 405,000 net adds in 1Q 2018
- AT&T had a net loss of about 625,000 subscribers across its three pay-TV services (DIRECTV, AT&T U-verse, and DIRECTV NOW) in 1Q 2019 – compared to a net gain of about 125,000 subscribers in 1Q 2018

Overall, the top pay-TV providers had a net loss about 1,325,000 subscribers in 1Q 2019. The leading pay-TV provider in the U.S., AT&T, accounted for 47% of the net losses in the quarter.

1Q 2019 was the third consecutive quarter of record pay-TV net losses. This accelerated downturn in the pay-TV market coincided with the decisions by AT&T and other providers to increasingly focus on long-term profitability when acquiring and retaining subscribers.

## About 945,000 Added Broadband in 1Q 2019

**L**eichtman Research Group, Inc. found that the largest cable and telephone providers in the U.S. – representing about 95% of the market – acquired about 945,000 net additional broadband Internet subscribers in 1Q 2019, compared to a pro forma gain of about 815,000 subscribers in 1Q 2018.

These top broadband providers now account for 98.7 million subscribers, with top cable companies having 65.3 million broadband subscribers, and top telephone companies having 33.4 million subscribers.

Key findings for the quarter include:

- Overall, broadband additions in 1Q 2019 were 116% of those in 1Q 2018
- The top cable companies added about 925,000 subscribers in 1Q 2019 – 109% of the net adds for the top cable companies in 1Q 2018
- The top telephone companies added about 20,000 subscribers in 1Q 2019 – compared to a net loss of about 35,000 subscribers in 1Q 2018
  - 1Q 2019 was the first quarter with net broadband additions for the Telcos since 1Q 2016
- At the end 1Q 2019, cable had a 66% market share vs. 34% for Telcos – compared to 63% cable vs. 37% Telco at the end of 1Q 2017

With the addition of 945,000 subscribers in the quarter, top broadband providers in the U.S. cumulatively now account for about 98.7 million subscribers.

Over the past year, there were about 2,600,000 net broadband adds, compared to about 2,000,000 net adds over the prior year.



### Did You Know ...

74% with a Smart TV have set up the connection to the Internet on at least one Smart TV – compared to 68% in 2014

## Industry by the Numbers

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

Cable Companies	Subscribers at end of 1Q 2019	Net Adds in 1Q 2019
Comcast	21,866,000	(120,000)
Charter	16,461,000	(145,000)
Cox*	3,980,000	(35,000)
Altice	3,297,300	(10,200)
Mediacom	764,000	(12,000)
Cable ONE**	320,611	(11,500)
<b>Total Top Cable</b>	<b>46,688,911</b>	<b>(333,700)</b>
<b>Satellite Services (DBS)</b>		
DIRECTV^	18,679,000	(543,000)
DISH TV	9,639,000	(266,000)
<b>Total DBS</b>	<b>28,318,000</b>	<b>(809,000)</b>
<b>Phone Companies</b>		
Verizon FIOS	4,398,000	(53,000)
AT&T U-verse^	3,704,000	0
Frontier	784,000	(54,000)
<b>Total Top Phone</b>	<b>8,886,000</b>	<b>(107,000)</b>
<b>Internet-Delivered (vMVPD)</b>		
Sling TV	2,424,000	7,000
DIRECTV NOW	1,508,000	(83,000)
<b>Total Top vMVPD^^</b>	<b>3,932,000</b>	<b>(76,000)</b>
<b>Total Top Pay-TV</b>	<b>87,824,911</b>	<b>(1,325,700)</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* LRG estimate

\*\* Includes a change in reporting methodology – net adds are an LRG estimate

^ AT&T now combines totals for DIRECTV and U-verse into "Premium TV" – separate results are LRG estimates

^^ Internet-delivered (vMVPD) does not include Hulu with Live TV, YouTube TV, PlayStation Vue, fuboTV, or Philo

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 93% of all subscribers

Top cable companies do not include overbuilder WOW with 398,000 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.

<b>Cable Companies</b>	<b>Subscribers at end of 1Q 2019</b>	<b>Net Adds in 1Q 2019</b>
Comcast	27,597,000	375,000
Charter	25,687,000	428,000
Cox*	5,100,000	40,000
Altice	4,155,000	36,900
Mediacom	1,288,000	24,000
WOW (WideOpenWest)	765,900	6,300
Cable ONE	678,385	15,311
<b>Total Top Cable</b>	<b>65,271,285</b>	<b>925,511</b>
<b>Telephone Companies</b>		
AT&T	15,737,000	36,000
Verizon	6,973,000	12,000
CenturyLink^	4,806,000	(6,000)
Frontier	3,697,000	(38,000)
Windstream	1,032,400	11,400
Consolidated	780,720	1,750
Cincinnati Bell^^	426,700	1,100
<b>Total Top Phone</b>	<b>33,452,820</b>	<b>18,250</b>
<b>Total Top Broadband</b>	<b>98,724,105</b>	<b>943,761</b>

Sources: The Companies and Leichtman Research Group, Inc.

\* LRG estimate

^ CenturyLink results are now for residential subscribers only

^^ Includes the acquisition of Hawaiian Telecom

Company subscriber counts may not solely represent residential households

Top cable and telephone companies represent approximately 95% 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



# LRG

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