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More Consumers Will Continue to Drop Pay TV Because of Price Hikes

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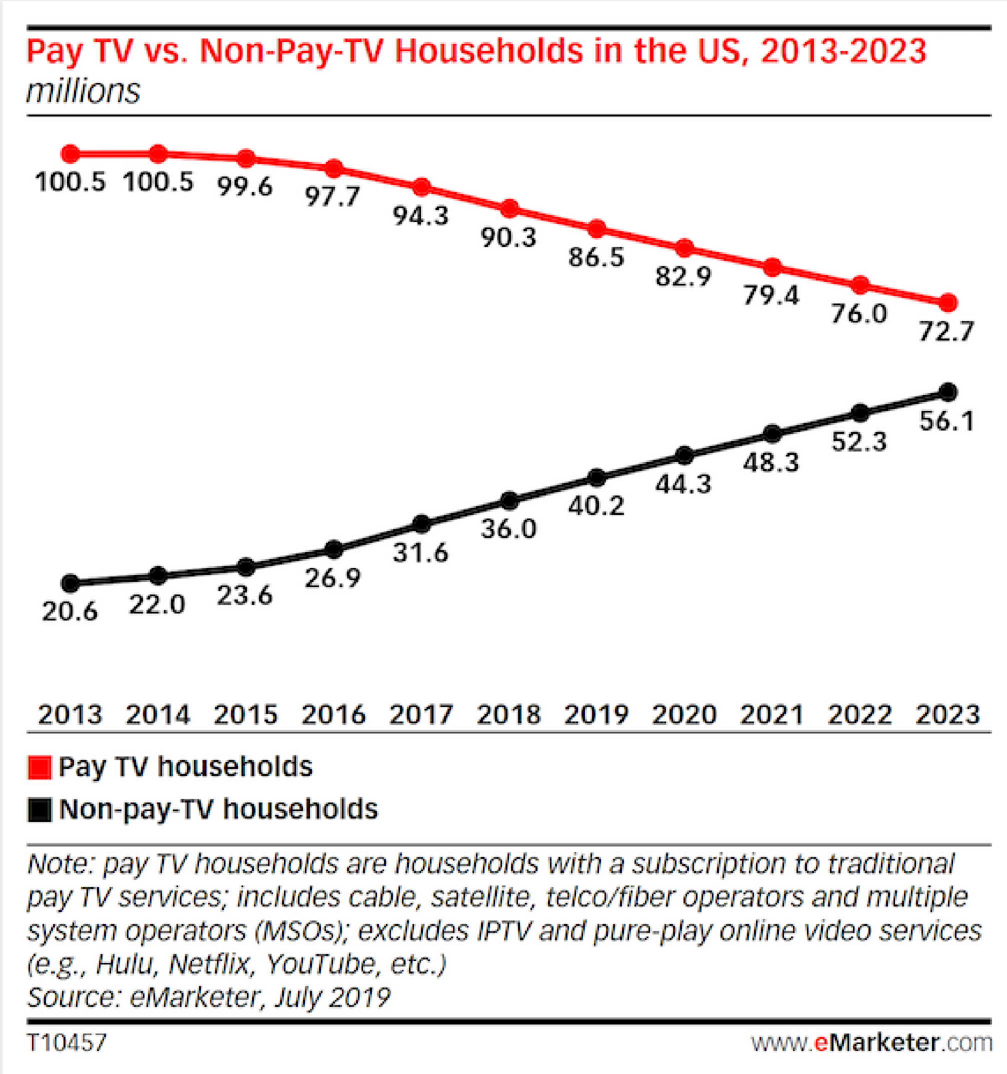
Cord-cutting has often been described as consumers adopting over-the-top (OTT) services while dropping their pay TV subscriptions, but our latest forecasts show that subscription OTT adoption has begun to stabilize while decreases to the number of pay TV households is accelerating.

We estimate that the number of pay TV households in the US has been steadily decreasing since 2015, and we predict that these decreases will continue through 2023. Last year, there were 90.3 million US households subscribed to pay TV, with the number decreasing to 86.5 million this year. This figure will drop further to 82.9 million households next year.



In 2018, there were 170.7 million subscription OTT viewers, which grew 6.9% to 182.5 million this year. Our estimates show that there will be 191.5 million viewers next year.

At the same time, the number of non-pay TV households is increasing. Last year, there were 36 million non-pay TV households in the US, which will increase to 40.2 million this year, reaching 44.3 million in 2020. We define non-pay TV households as the sum total of cord-cutters and cord-nevers.

Traditional pay TV providers' increasing focus on profitability is one of the major contributors to this trend, on top of the ever-growing number of streaming services entering the market. TV networks have consistently increased their carriage fees, and while cable and satellite providers might have eaten those costs in the past, most of these costs are now passed on to customers in the form of higher prices. In the past, those customers stuck with their pay TV subscriptions because the channels (particularly those with live sports or news) they watched were not available elsewhere or their cable costs were part of internet and phone bundles. But these days, customers are less willing to accept these increasing costs when they have other entertainment options.

While promotional and bundled pricing may be an attractive method for providers looking to retain subscribers, offering discounted prices for TV is becoming less profitable. Providing internet service is generally more profitable for telecoms that offer internet and TV, and some operators would rather lose TV subscribers by removing promotional and bundle pricing than settle for razor-thin margins.

"For many consumers, the days of haggling over their cable or satellite bill is over," said Eric Haggstrom, forecasting analyst at eMarketer. "They either have to pay more for the same channels or cut the cord. Given pay TV price hikes and the explosion in content produced exclusively for digital platforms like Netflix or Hulu, cutting the cord has never been more attractive."

For more analysis on pay TV and OTT video services, eMarketer PRO subscribers can read our report:

Report by Jasmine Enberg Aug 16, 2018

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