Tapping into the opportunity of the streaming boom

For the fifth consecutive year, we’re digging into the evolution of America’s relationship with video.

In 2017, despite a continued decline in traditional Pay TV subscriptions, we’re also seeing some signs of trouble in the new order.

- What’s driving the continuing drop-off in Pay TV, and what’s keeping some people tethered to the cord?
- How are people incorporating new streaming services into their lives?
- Where are the opportunities for new entrants and for advertisers?

We conducted extensive research to learn more about what consumers want from the growing number of video-consumption options.

Methodology: In October 2017, PwC surveyed a sample of 1,986 Americans, ages 18 to 59, with annual household incomes above $40,000. We analyzed our results against similar studies we conducted in Fall 2016, 2015, 2014, and 2013, and also added new topics to explore for 2017. Additionally, we conducted two consumer focus groups in New York.
Key findings:

73% of our respondents subscribe to Pay TV, down from 76% last year and 79% the year before. The number of those trimming their Pay TV subscriptions is also growing.

73% of respondents also subscribe to Netflix, meaning the same number of people who subscribe to Pay TV also subscribe to the service.

82% of sports fans would end or trim their Pay TV subscription if they no longer needed it to access live sports.

75% of consumers say they can’t handle using more than four services in addition to Pay TV.

Cord cutting has more momentum than ever

The number of traditional Pay TV subscribers continues to drop as more people are trimming or cutting the cord completely. 73% of our respondents subscribe to Pay TV, which is down from 76% last year and 79% the year before.

At the same time, people report they’re paying more for video today than they were last year.

53% of cord trimmers report paying more for their services in 2017 than they did in 2016; however, trimmers are still paying less than traditional subscribers overall.

Source: PwC Consumer Intelligence Series video survey, 2017
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A streaming explosion for all ages

Costs continue to rise because, with more options than ever, viewers are diversifying what they watch and using multiple services to consume content.

Streaming is up among all age groups.

- The number of people who use Netflix is now the same as Pay TV (73%).
- Of all the services respondents use, almost half (46%) are ones they acquired within the last six months.
- Pay TV trimmers are the most involved—they have five services on average, including Pay TV.

Despite growth, streaming shows signs of unrest

Consumers are showing signs of being overwhelmed.

While respondents indicate they have four services on average—including Pay TV and digital services—they only watch about two of those services on a regular basis.

Just a quarter of consumers say they can handle using more than four services in addition to Pay TV.

Looking for content only adds to the burden—a notion we analyze in depth in our sister Consumer Intelligence Series publication on content discovery.

Number of services available to me* vs. number of services I watch regularly

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Average number of services regularly watched</th>
<th>Number of services available to me</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Pay TV subscribers</td>
<td>2</td>
<td>3.8</td>
</tr>
<tr>
<td>Cord trimmers</td>
<td>2.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Cord cutters + cord nevers</td>
<td>1.8</td>
<td>3.2</td>
</tr>
</tbody>
</table>

*Due to heightened levels of password sharing, we report on access to a service rather than subscription to a service

Source: PwC Consumer Intelligence Series video survey, 2017
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The overwhelming nature of streaming could deter growth in the space—and drive Pay TV to evolve further

“When I want to watch something but I don’t know what I want to watch, [I like] having that flexibility to turn on the TV and discover something new or just watch a rerun.”

—Focus group participant, male, 32

Additionally, having too many options might mean limited growth for incumbents and new entrants alike—the #1 reason for ending a subscription is “I didn’t use it enough” (29%).

With all the energy and resources required to keep up with subscriptions and content, appreciation for the ease of Pay TV grows.

Pay TV solves many of the issues that surround streaming, creating a relaxed and efficient viewing process.

Pay TV spin-offs that can provide viewers with the best of both worlds are poised for success.

In a sea of clutter, powerful branding is key

Exclusive content—including original content—is a key component of creating a successful streaming service, but it’s not enough.

- When selecting streaming services, respondents are more drawn to having a wide variety of content available (37%) than having access to exclusive content (27%).
- Just 35% of respondents indicate that original programming is “very important” in influencing their decision to subscribe.
- Focus group respondents are unenthusiastic about original content produced by providers without an established reputation for it.

In fact, exclusive or original content might draw consumers to free trials or temporary subscriptions, but won’t necessarily garner loyalty. Services that focus on long-term brand building alongside content development can avoid situations like this.

Viewers are most eager to watch—and pay for—a streaming service from a brand that already has an established presence with unique content. This reinforces the idea that powerful branding can drive success in a sea of clutter.
Live sports is cord-friendly—for now

Live sports is one of the primary motivators keeping people connected to the cord

81% of sports fans subscribe to Pay TV

73% of respondents overall who subscribe to Pay TV

91% of sports fans subscribe to Pay TV for access to live games

89% of sports fans say they prefer to watch sports games live

Source: PwC Consumer Intelligence Series video survey, 2017
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But with respondents so eager for premium streaming services from brands like the NFL, the evolution of live streaming in sports might mean an even more precipitous decline in Pay TV subscriptions.

- 82% of traditional Pay TV subscribers would trim or cut their subscription if they no longer needed it to access live sporting events.

- Pay TV subscribers realize that they have alternatives: 90% of them believe the options for watching live sports have expanded in recent years.

There are significant opportunities to engage sports fans outside of the traditional Pay TV format.

- More than half of sports fans (52%) say they would pay a premium to watch live sports on more devices.

- The average sports fan would pay around $23 per month for unlimited access to live sports on any platform.

The social nature of live sports and the growth of entertainment options like fantasy sports make it particularly ripe for deepening relationships with viewers.

- 56% would like to have access to more interactive content, such as stats, exclusive interviews, and the ability to chat with other fans, while watching live sports.

Source: PwC Consumer Intelligence Series video survey, 2017
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**How can new entrants succeed?**

Even beyond sports, there is a significant opportunity for brands to engage viewers through video as second screen usage grows.

- 65%, at least occasionally, look up information about a product they see advertised while watching a show.
- 64% communicate with friends about the show they’re watching using a second screen.
- 55% “always” or “usually” use a mobile device while watching TV, up from 36% last year.

But advertising needs to be less burdensome, more engaging and more relevant.

Focus group respondents say that many streaming services show “the same commercial over and over,” and it’s “annoying;” they also prefer longer ads up front, with fewer interruptions throughout.

Only 40% of respondents believe that advertising on streaming services is much more relevant to them than ads on TV.

**The opportunity**

For companies to thrive in this accelerating video space, there are a few key points to keep in mind.

<table>
<thead>
<tr>
<th>Percent of those using second screen for each of the following</th>
<th>Frequently + sometimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Look up who’s acting/playing in the show/game</td>
<td>81%</td>
</tr>
<tr>
<td>Communicate with friends unrelated to show/game</td>
<td>78%</td>
</tr>
<tr>
<td>Use social media unrelated to the show/game</td>
<td>76%</td>
</tr>
<tr>
<td>Look up info on product featured on a show</td>
<td>65%</td>
</tr>
<tr>
<td>Look up info on product advertised in a show</td>
<td>65%</td>
</tr>
<tr>
<td>Communicate with friends about the show/game</td>
<td>64%</td>
</tr>
<tr>
<td>Post on social media about the show/game</td>
<td>50%</td>
</tr>
<tr>
<td>Browse merchandise related to the show</td>
<td>46%</td>
</tr>
<tr>
<td>Check fantasy sports stats</td>
<td>44%</td>
</tr>
<tr>
<td>Watch another TV show, film, or video</td>
<td>43%</td>
</tr>
<tr>
<td>Purchase merchandise related to the show/game</td>
<td>35%</td>
</tr>
</tbody>
</table>

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Request a meeting with our specialists

Mark McCaffrey  
US Technology, Media and Telecommunications Leader, PwC  
Tel: +1 (408) 817 4199  
mark.mccaffrey@pwc.com

Paige Hayes  
US Technology, Media and Telecommunications Advisory Leader, PwC  
Tel: +1 (213) 217 3506  
paige.k.hayes@pwc.com

Jason Wagner  
US Technology, Media and Telecommunications Partner, PwC  
Tel: +1 (646) 471 1297  
jason.wagner@pwc.com

Christopher Vollmer  
US Technology, Media and Telecommunications Partner, PwC Strategy&  
Tel: +1 (212) 551 6794  
christopher.vollmer@pwc.com