

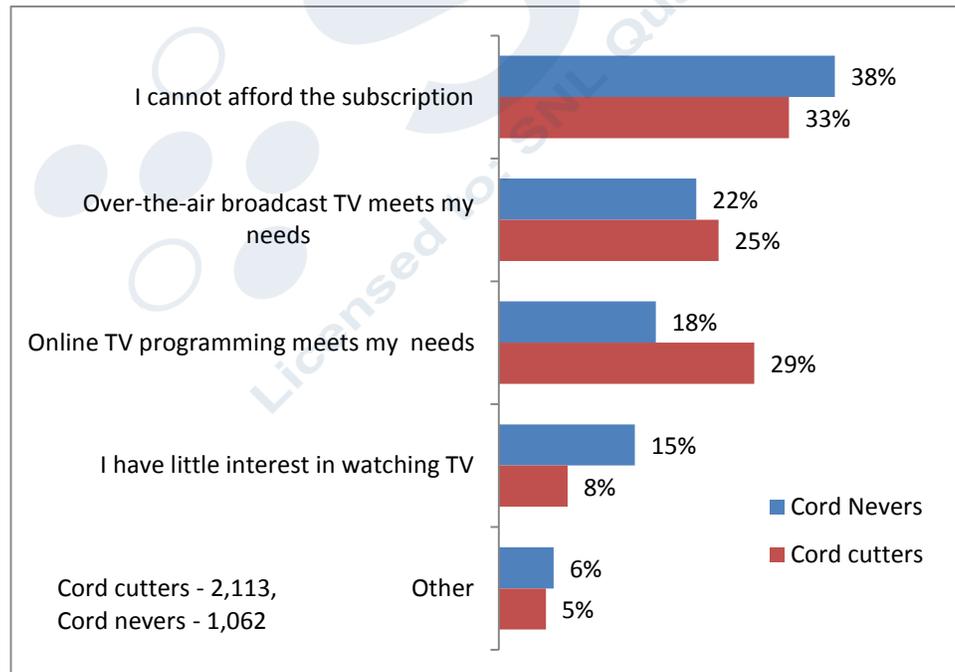
Who Are These Video Cord Cutters/Cord Nevers?

Depending on whom you talk to, video cord cutters and cord nevers are sure to multiply exponentially or remain a rare commodity. Reality is somewhere in the middle.

Video cord cutters, defined as consumers who have dropped a multichannel subscription without replacing it, represent 65% of U.S. non-multichannel households. Those who have never subscribed to a multichannel video service, known as cord nevers, account for the remaining 35% of households.

Rather than being homogenous groups, cord cutters and cord nevers each have unique profiles. For example, Figure 1 compares reasons for not subscribing to a multichannel video service. Subscription affordability is a primary reason for both groups. However, significantly more cord cutters rely exclusively on online video entertainment than cord nevers. Conversely, nearly twice as many cord nevers lack interest in watching TV compared to video cord cutters.

Figure 1. Reasons for Not Subscribing to a Multichannel Video Service (% of Video Cord Cutters/Nevers)

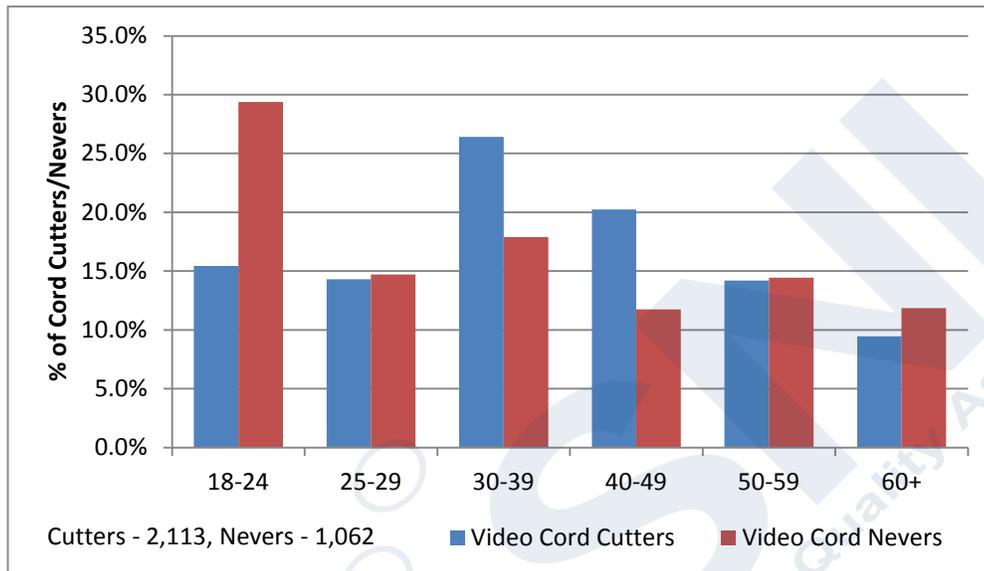


Source: SNL Kagan MRG

Who Are These Video Cord Cutters/Cord Nevers?

Examining the age distribution of each group helps explain these differences. The data presented in Figure 2 debunks the notion that it is predominantly young adults who are avoiding multichannel subscriptions. While cord nevers are skewed toward 18-24 year olds, there is a relatively even distribution across the other age groups. The majority of 18-24 year old cord nevers are either in school, living with parents or employed at low-wage jobs. Their future behavior is not yet well defined.

Figure 2. Video Cord Cutters/Nevers by Age



Source: SNL Kagan MRG

Cord nevers who are over 50 years old tend to rely on over-the-air broadcast TV for most of their entertainment. In contrast, twenty and thirty-something cord nevers acquire nearly all their TV entertainment online.

Video cord cutters are also distributed across all age groups, peaking among adults in the 30-49 age categories. Multichannel service affordability is a major issue across all age groups, but it is the ability to find alternative online sources of TV content that is driving the 30-49 age adults to cut the video cord in higher numbers.

Table 1 compares cord nevers and cord cutters with that of the total U.S. multichannel subscriber population. The data shows that lower-income households are most likely to be cord nevers. Video cord cutters also tend to have a lower income than U.S. multichannel subscribers, as a whole.

Who Are These Video Cord Cutters/Cord Nevers?

Table 1. Comparison of Video Service Categories by Household Income

Consumer TV Categories by HH Income	Multichannel Subscribers	Video Cord Cutters	Video Cord Nevers
Less than \$25,000	17%	30%	42%
\$25,000- \$50,000	27%	27%	30%
\$50,000-\$74,999	22%	20%	13%
\$75,000-\$99,999	15%	10%	9%
\$100,000-\$124,999	8%	6%	2%
\$125,000-\$149,999	5%	2%	2%
\$150,000+	7%	4%	2%

Source: SNL Kagan MRG

n=4,820

n=1,997

n=874

In Table 2, the three consumer TV categories are compared by household type. The percentage of single adults among the video cord cutter group is slightly higher than total multichannel subscribers. Interestingly, the presence of children in the household is consistent across both groups. However, the majority of cord nevers are single adults, without children.

Table 2. Consumer TV Categories by Household Type

Consumer TV Categories by HH Type (% of category)	Multichannel Subscribers	Video Cord Cutters	Video Cord Nevers
Single adult HH	35%	43%	52%
Multiple adult HH	65%	57%	48%
With children	39%	39%	23%
W/o children	61%	61%	77%

Source: SNL Kagan MRG

n=4,820

n=559

n=192

Figure 3 presents the use of online video subscription services across the three consumer TV categories. Both the cord cutter and cord never groups use Netflix substantially more than multichannel subscribers, overall. Somewhat surprisingly, this preference toward online video subscription services does not extend to the substantial use of Amazon Prime Instant Video and HuluPlus.

Who Are These Video Cord Cutters/Cord Nevers?

Figure 3. The Use of Online Video Subscription Services by Consumer TV Category

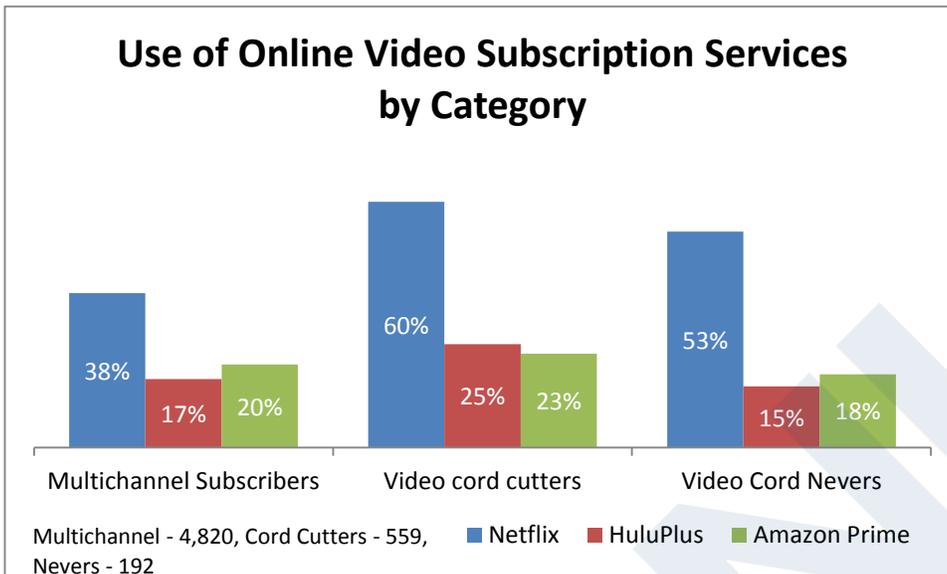
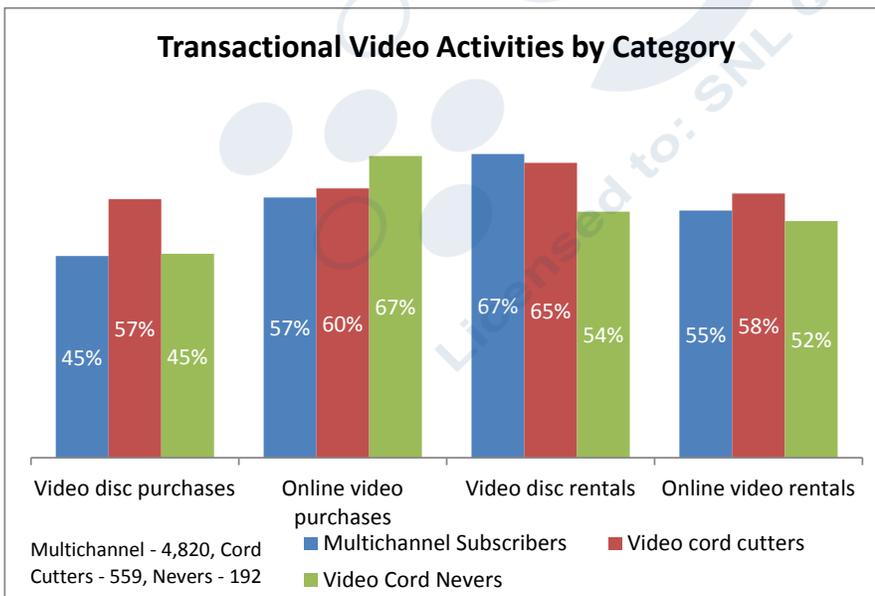


Figure 4 depicts the use of transactional video services by consumer TV category. The data shows that the lack of a multichannel subscription does not appear to substantively alter ones use of these alternative sources of paid video entertainment.

Figure 4. Use of Transactional Video Activities by Consumer TV Category

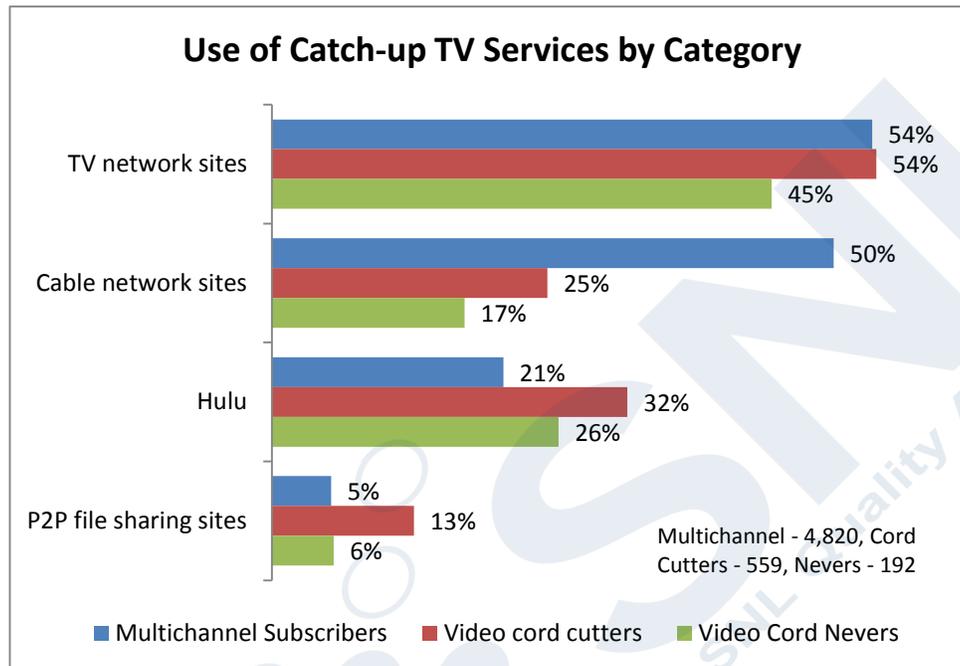


Source: SNL Kagan MRG

Who Are These Video Cord Cutters/Cord Nevers?

With regard to the use of catch-up TV services, illustrated in Figure 5, video cord cutters appear to have a relatively strong following of broadcast TV network programming. The majority of cord cutters uses TV network websites for viewing catch-up TV and has a higher use of Hulu and peer-to-peer file sharing sites. The lower use of cable network websites is probably due to the content being accessible only through TV Everywhere services that authenticate a multichannel service subscription.

Figure 5. The Use of Catch-up TV Services by Consumer TV Category



Source: SNL Kagan MRG

Cord nevers appear to be somewhat less interested in viewing broadcast and cable TV network programming online. This is probably because older cord nevers receive broadcast TV shows over-the-air. Younger cord nevers may have more interest in original TV programming that is available exclusively online.

Based on this data, one can conclude that video cord cutters, in general, have a strong interest in viewing TV entertainment. In fact, low income households often have the same TV entertainment interests as higher income households. This is why less-expensive service packages (bundling fewer TV channels) have not been overly successful. If household incomes rise, then many cord cutters will once again become multichannel subscribers.

For those that have cut the video cord because multichannel services no longer deliver enough value, the likelihood of these households returning to the multichannel subscriber ranks is slim. The reason they have cut the cord is that their most valued TV content, typically original TV shows and a library of on-

Who Are These Video Cord Cutters/Cord Nevers?

demand TV/movies, is now available from online sources. Households that value premium TV programming (e.g. HBO) and live cable sports the highest are the least likely to cut the video cord.

Similarly, cord nevers fall into three categories. Older cord nevers (50+ years old) typically have been viewing over-the-air broadcast network TV for decades and are unlikely to change. Younger cord nevers (25-39 years old) have found that online TV programming satisfies their entertainment needs. A portion (up to half) of the 18-24 year old cord nevers may attain higher household incomes in the future and become multichannel subscribers. The remainder of this group is likely to adopt a profile similar to the online video-centric 25-29 year old cord nevers.

The data referenced in this article were collected as part of the SNL Kagan MRG U.S. Video Entertainment Survey (VES). The 21,000-respondent electronic survey was conducted in two parts consisting of 5,000 and 16,000 U.S. adult Internet users during February 2014. The 5,000 respondent survey data has a margin of error of +/- 1.39 at a 95% confidence level. The 16,000 respondent survey data has a 0.35% margin of error at a 95% confidence level.

This research is part of the U.S. Multiscreen service from SNL Kagan MRG. The service uses primary research data to examine consumer behavior regarding the use of Internet-connected devices and video services. Further information on video cord cutters and cord nevers can be found in the following U.S. Multiscreen feature articles.

[Losing multichannel subscriptions you never had](#), April 16, 2014

[We have surveyed video cord cutters, and they are us](#), April 9, 2014

[Using pay TV value to assess the potential for video cord cutting, virtual pay TV services](#), April 7, 2014

Who Are These Video Cord Cutters/Cord Nevers?

SNL Kagan MRG

7320 East Butherus Drive, Suite 105
Scottsdale, Arizona 85260, U.S.A.
Phone: 1.888.275.2822 ext. 8
www.snl.com

To Subscribe:

U.S. & Canada: 1.866.296.3743

Europe, Middle East & Africa: +44 20 7398 0873

Asia-Pacific: +852 5808 1882

Or email sales@snl.com

Copyright © 2014 SNL Financial LC. All rights reserved.

Unless allowed by a full site license, this material may not be reproduced, retransmitted electronically, including via email, intranet or Internet, or recopied in any form, in whole or in part, without prior written permission, whether for internal business use or otherwise. Violators risk criminal penalties and civil damages of up to \$150,000 per offense. We vigorously prosecute copyright infringers. Site licenses are available (for license information contact sales@snl.com).

This research report is prepared and circulated for general informational purposes only and is not an offer, nor a solicitation to make an offer, to buy or sell any securities or options, futures or other derivatives related to such securities. Investors should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this research report. The information contained herein was obtained from sources SNL Kagan MRG believes to be reliable, however SNL Kagan MRG has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this research report. Some of the information in this report may be based on historical information, which may not have been updated. Statements regarding past performance may not be indicative of future returns and statements regarding future prospects may not be realized. All opinions and estimates expressed are our current opinions and estimates as of the date appearing on this material only and are subject to change without notice. SNL Kagan MRG, its parent, its affiliates or employees preparing this report may have a position in securities of any company or derivatives related to such securities referred to or recommended in this report. An employee of SNL Kagan MRG, its parent or affiliates may be a director of a company referred to or recommended in this report. SNL Kagan MRG, its parent or affiliates may perform for, or solicit business from, any entity mentioned in this report.