The New Generation of Cord Cutters

2019

Roku®

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Unless otherwise stated, all summary data included in this 2019 study are compared to the comparable prior year data.

Summary of Findings

There is a new generation of Cord Cutters with 4 key differences versus the prior generation:

1. They love live TV and the features they're accustomed to, such as an EPG (Electronic Program Guide) and a DVR
2. Appointment viewing is very important, augmented with free, ad-supported content
3. They are not willing to make major trade-offs
4. They want everything at a lower cost

Essentially, the new Cord Cutter is your average mainstream TV viewer looking for value and choice.

There are 5 factors driving the escalation in cord cutting, of those surveyed:

1. vMVPDs are providing network and live programming
2. Streaming content is abundant and high quality
3. Viewers are seeking and finding value in AVOD
    - 73% watch AVOD
    - 45% watch AVOD the most out of all streaming video
4. Streaming is easy
    - 74% say streaming is more convenient than cable or satellite TV service
    - 89% think streaming media devices are really easy to use
    - 85% of Cord Cutters say that having no cable or satellite service has been easy
5. Increasingly, Cable and Satellite companies are devoting less effort on trying to retain low margin video subscribers.

TV households are even more positive this year about their experience since cutting the cord

- 82% (+2%) of all Cord Cutters are ‘very’ to ‘extremely satisfied’ with their decision to cut the cord
- 81% (+5%) of all Cord Cutters have no intent to return to a Pay TV service, defined as cable, satellite and telco TV providers
- 75% (-5%) of all Cord Cutters say they watch the same, if not more, TV than they did before cutting the cord
- 77% of all Cord Cutters say having no Pay TV service has been easy
- 2/3 of all Cord Cutters say they wish they would have cut sooner

Dissatisfaction remained at high levels among Pay TV subscribers

1. 55% (-1%) of Pay TV households say they dislike their Pay TV provider
2. 26% say they are likely to cancel their Pay TV service in the next 6 months
3. 34% (+3%) say they plan to switch to a cheaper option in the next 6 months

*General Population vs. Roku User Data, Macro Consulting, Inc. study

Roku Cord Cutters are **more satisfied** with streaming

92% are satisfied with their decision to cut

98% have no intent to return to Pay TV

84% watch the same or more TV as they did before they cut

85% say having no Pay TV has been easy

78% wish they had cut sooner*

Segment **Definitions**

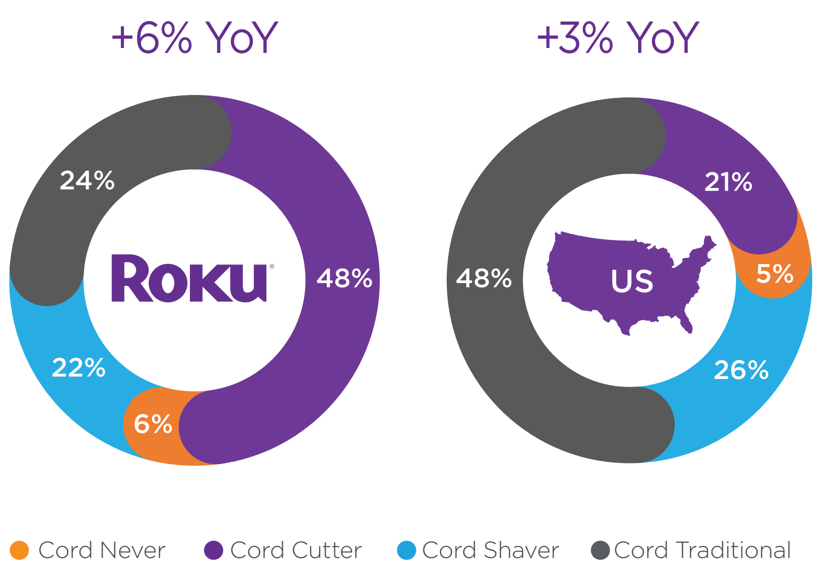
- **Cord Traditional** – TV households that currently have Pay TV (cable, satellite or telco)
- **Cord Shaver** - TV households that have Pay TV but have reduced their package cost in last the two years
- **Cord Cutter** - TV households that previously had Pay TV
- **Cord Never** - TV households that have never had Pay TV

Cord Cutting is Accelerating

Cord cutting accelerated far beyond previous expectations. Approximately 3.5 million households cut the cord between March 2018 and February 2019.[1]

Roku predicts that 60 million US TV households will be Cordless by the end of 2024.[2]

Roku Profile vs. US Population[3]



48% of Roku accounts are Cord Cutters, which is **2X more** than in the US population.

1. Source: Roku Internal Data, Q2 2019
2. Source: Leichtman Research Group and data compiled from Cable and Satellite company public filings, Q2 2019
3. Source: Roku Internal Data and projections estimated based on Roku Data, Q2 2019

Five Insights Driving the Acceleration of Cord Cutting

1. vMVPDs are providing network and live programming

vMVPDs are providing a bridge for consumers who want to cut the cord, but don't want to miss out on the traditional live TV that cable/satellite offer. Specifically, when Cord Shavers are made aware that they can get the same live local channels, including sports, news, reality, and top cable channels with an EPG and DVR at a reduced price, their key barriers to cutting the cord go away.

2. Streaming content is abundant and high quality

SVODs are spending billions on award-winning original content this year.

3. Viewers are seeking and finding value in AVOD

36% have watched a free streaming channel on their TV (e.g. Crackle, YouTube, The Roku Channel, Tubi TV, etc.).

4. Streaming is easy

74% say streaming is more convenient than Pay TV services.

89% think streaming media devices, including TVs, are really easy to use.

85% of Cord Cutters say they have no traditional Pay TV.

5. Increasingly, Cable and Satellite companies are devoting less effort on trying to retain low margin video subscribers.

"We don't see bundling as the savior for churn. I know that we don't put time and resources into pretty much anything having to do with video because of what it nets us and our shareholders in the long run."

– *Julia Laulis CEO Cable One March 2019*

"DirecTV's rapid subscriber base decline will continue this year as his company lets lower revenue customers leave the service as their contracts expire."

– *AT&T CEO Randall Stephenson, Fierce Wire March 2019*

Popular streaming content publishers continue to receive **Emmy recognition.**

Motivations for Cutting the Cord

Both generations of Cord Cutters share the same 4 core motivations for cutting the cord:

1. Pay TV is too expensive
2. Streaming is more convenient
3. Customer support from many Pay TV services is poor
4. Content selection on streaming is better

High Satisfaction Among Cord Cutters

Once a household gives up their Pay TV service, they are very satisfied with their streaming experience.

- **82% (+2%)** of all Cord Cutters are 'very' to 'extremely satisfied' with their decision to cut the cord
- **81% (+5%)** of all Cord Cutters have no intent to return to a Pay TV service
- **75% (-5%)** of all Cord Cutters say they watch the same, if not more, TV than they did before cutting the cord
- **77%** of all Cord Cutters say having no Pay TV service has been easy
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Dissatisfaction remained at high levels among Pay TV subscribers

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Cord Cutting Impediments

So why hasn't everyone cut the cord?

1. **Low awareness** that they can get nearly everything they want at a cheaper cost remains the biggest barrier.

2. **Confusion** over options, available features, programs, channels, and vMVPD offerings. Those wanting to cut the cord are flooded with information on the topic with varying views on what's best for them.

3. **Incentives from Pay TV representatives** that are offered when customers try to cancel or they have a potential rise in service cost.

The Path to Cord Cutting

Making the decision to cut the cord is a fairly long process at this juncture. Those who have cut the cord and those considering cutting tell us they start contemplating options soon after they sign or renew a Pay TV contract.

Shortly after a brief honeymoon period, they start looking for lower cost alternatives driven by escalating costs with fewer channels they really care about.

The 2018 Roku commissioned study indicated there is a common path that viewers take on the way to cord cutting.

Pay TV viewers start as Cord Traditionals. As they decide to cut back on costs, they move into the Cord Shaver segment. It is at this stage they begin to explore the world of cord cutting in earnest. The moment of truth comes as the date for their Pay TV contract renewal approaches.

Our 2019 study indicates new Cord Cutters were predominately Cord Shavers prior to cutting.

- When surveyed, 37% of Cord Shavers said they intended to cut the cord in the next six months. Given their intent, we believe most of the 3.5 million new Cord Cutters[1] came from this segment.

- The data indicates that while the number of Cord Shavers remained the same, the number of Cord Traditionals diminished by 4 million TV households. We believe the vast majority of them moved into the Cord Shaver segment with some natural attrition, and a small portion moved directly into the Cord Cutter segment.

Cord Traditionals
decreased by **4 million**[2]
500k loss to natural attrition

Cord Shavers data indicates
3M-3.5M[3] came into the segment -
offset by **3M-3.5M** who cut the cord

Cord Cutters
increased by **3.5M**

1. Source: Roku Internal Data, Q2 2019 and projected outcomes
2. Source: Leichtman Research Group and data compiled from Cable and Satellite company public filings, Q2 2019
3. Source: Roku Internal Data, Q2 2019

Genre Programming Viewership

Of the 16 genres of programming tracked in this study for linear and streaming TV, Cord Shavers viewed 14 genre more frequently. The exceptions were for local and national news, which Cord Traditionals watched just slightly more often.

There were significant differences across the segments in viewership frequency by age among most genres but perhaps not necessarily what you might expect.

- **Local and National News** – daily viewership is about 2x for 55+ vs 18-34 year-olds
- **TV Dramas/Sci-Fi/Mysteries** – several times per week viewership is significantly higher for 55+ vs 18-34 year-olds
- **Movies and TV Comedies** – daily viewership is significantly higher for 18-55 year-olds vs 55+
- **National and Regional Live Sports** – daily viewership is greater than 2x for 18-34 year-olds vs 55+ and nearly 3x for males vs females
- **Reality, Food, and Educational** – daily viewership is greater than 2x for 18-34 year-olds vs 35+
- **Music** – daily viewership is greater than 3x for 18-34 year-olds vs 55+
- **Travel Programming** – daily viewership is more than 5x for 18-34 year-olds vs 55+ and significantly male skewed

Cord Cutters

Cord Cutters:
The new face of cord cutting

Those who have given up their Pay TV service now account for 23.8 million US TV households, which is 21% of all internet connected TV households, up 2.9% YoY.

The term "Cord Cutter" is an industry term and not relatable for new Cord Cutters or those seeking to cut. Those users do not want to be labeled, but rather prefer to simply say they got rid of cable/satellite. The first generation of Cord Cutters were early adopters willing to make trade-offs in exchange for the convenience that streaming afforded. Their viewing was predominantly SVOD services such as Netflix. They were not driven by appointment viewing and instead were willing to wait to watch shows.

The new generation of Cord Cutters is mainstream Live TV viewers who previously dabbled with SVOD services. They are predominately Live TV viewers who are seeking a more affordable way to enjoy what they love without sacrifice via vMVPDs.

Cord Cutters and Cord Shavers have the same median age of 47, which is 10 years below that of Cord Traditionals and 15 years above Cord Nevers.

Quick Facts

23.8M Cord Cutters
(+3.5M)

21%
of all TV households

45%
of all Cord Cutters in the US **are Roku users**

Average age:
47 yrs old

Cord Cutters: Attitudes, beliefs, and behaviors

In this year's study, we added new sections on viewership, enabling us to dig deeper into differences among Cord Cutter generations and the underlying reasons behind them among Cord Cutter generations.

Live TV is an essential part of the new generation of Cord Cutters' daily viewing experience. Appointment viewing is the key behavioral difference from early adopters, as they like to watch the latest contest shows, reality TV, and live sports when they air.

Social interaction is the key motivation for the desire to watch a show when it airs live. Many of the people we spoke with call a friend or family member during or immediately after a live show ends to discuss the latest events. This phenomenon carries over to the work place as a means of socializing with colleagues and connecting beyond just "shop talk."

vMVPDs are the enablers for mainstream adoption, so it wasn't surprising to learn usage is 52% higher among the new generation of Cord Cutters with YouTube TV, Sling, and Direct TV. These streaming services have significantly more new generation Cord Cutters within the Cord Cutter's category. vMVPD usage is 43% higher vs. the general population of Cord Cutters.

AVOD is a great complement that enables them to achieve their primary goal of reducing cost without sacrifice. Commercials have been a part of their viewing experience their whole lives, so when they get fewer, more relevant ads, it is seen as a fair trade-off and results in high satisfaction.

Genres gave us an increased understanding into the importance of live TV programming and must-have cable channels for new Cord Cutters. While there weren't significant differences between generations of Cord Cutters for movies, local or national news, TV comedies, TV dramas, and mysteries, there was far greater frequency of weekly streaming among new Cord Cutters for:

- **Reality shows +34%**
- **National sports +28%**
- **DIY +48%**
- **Regional sports +37%**

Among Roku's new generation of Cord Cutters, there were even more dramatic differences in weekly viewership versus the previous generation for:

- **Local news +21%**
- **National news +30%**
- **Reality shows +38%**
- **National sports +75%**
- **DIY +25%**
- **Regional sports +108%**

SVOD services are still very much a part of the viewing experience and are used to augment new Cord Cutters' Live TV with the convenience of streaming on their terms. For many, it's how they got into streaming and most have kept their services. Netflix, Amazon Prime, and Hulu are the most prevalent among both generations. For early Cord Cutters, these are still their primary viewing vehicles, augmented by free services.

Monthly savings reported by Cord Cutters were between 35% and 50% after cutting the cord. Among a small percent who wanted many different services, their savings were far less or none at all. However, they feel they built a package of content that they wanted rather than being given a package consisting mostly of channels they would never watch.

Engagement 53% watch more than five hours per day on weekends and 47% do so on weekdays. 5+ hours daily viewership among new generation Cord Cutters is 28% higher than the previous generation on weekends and 19% on weekdays, which is logical as they are trying to replicate their Pay TV viewership without trade-offs.

Given the influx of Cord Shavers into this segment, these numbers are likely to increase significantly over the coming years, as Cord Shavers watch more TV than any other segment.

Quick Facts

52%
higher
vMVPD usage among new generation Cord Cutters

43%
higher
vMVPD usage among Roku new generation Cord Cutters vs. general population cord cutters

Cord Shavers

Cord Shavers:
Fueling the growth in Cord Cutting

Cord Shavers make up 30.2 million TV households, remaining constant year over year. This is a bit deceiving because 3-3.5 million actually became Cord Cutters, but that number was offset by the influx of Cord Traditionals seeking cheaper options.

Cord Shavers are your basic, mainstream TV viewers who have reduced their Pay TV service package within the past 2 years. Many have an SVOD service and have begun to explore alternatives to their current Pay TV service.

Cord Shavers are like Cord Traditionals but they're more comfortable with streaming and more price-sensitive.

One of the key differences is Shavers skew a decade younger than Traditionals with the median age of 47.

37% of Cord Shavers say they plan to cut the cord and 47% say they are likely to switch to a cheaper option in the next six months. These numbers are more than double of those for Cord Traditionals.

Quick Facts

30.2M Cord Shavers

26% of all TV households

37% plan to cancel Pay TV

47% looking for cheaper options

Median age: **47yrs old**

Quick Facts

Live TV viewership among Cord Shavers

especially appointment viewing, is driven by the desire for social interaction

80%

spend 5+ hours watching TV per day on weekends

74% watch over 5 hours per day on weekdays

Cord Shavers: Attitudes, beliefs, behaviors, and concerns

Cord Shavers and Cord Traditionals share the same love of live TV and appointment viewing. However, unlike Cord Traditionals, Cord Shavers do not have the same negative attitudes regarding streaming or technology. In fact, of the four segments, Cord Shavers perceive themselves as being the most tech savvy.

Awareness of the ability to get everything they want, which includes an EPG, a DVR, their favorite cable channels and local programming, is still very low, although it is growing. Once Cord Shavers become aware of or experience alternatives, many are willing to cut the cord.

Live TV viewership, especially appointment viewing, is driven by the desire for social interaction with family, friends, and colleagues. DVR capabilities provide a safety net to ensure their must-see TV won't be missed.

Engagement, as measured by TV viewing hours, is highest among Cord Shavers. 80% watch 5+ hours per day on weekends and 74% do so on weekdays.

As more and more Cord Shavers cut the cord, these hours will continue to push the decline in traditional linear TV while dramatically increasing streaming hours.

Genre viewership frequency among Cord Shavers is significantly higher than the other TV household segments on a daily and weekly basis for 14 of the 16 genres, with only local and national news being slightly more for Cord Traditionals.

The reasons Cord Shavers have not completely cut the cord continues to be:

1. **Access to a DVR**
2. **Access to live TV with all their favorites from cable and local programming**
3. **Access to an EPG**
4. **Access to all their cable/satellite channels for a much lower price**

Cord Traditionals

Cord Traditionals: Older, loyal but quickly shrinking

The largest TV household segment, Cord Traditionals, accounts for 55.5 million TV households. They subscribe to a cable, satellite, or telco TV package that hasn't changed in the past two years. This segment lost 4 million TV households in the past year. Most of these losses are likely to have gone into the Cord Shaver segment along with some natural attrition, while some may have gone directly to Cord Cutter.

For Cord Traditionals, cable gives them comfort. At a median age of 57, it's what they're used to, and they're worried that cutting the cord will require a complete change to their lean-back viewing experience. Modifying what they have been accustomed to their whole life is disconcerting to them.

They consider themselves laggards when it comes to technology, finding new technology frustrating and intimidating. For this reason, it's just easier for them not to make the change, even if it means paying more money.

22% say they are likely to switch to a cheaper Pay TV plan in the next six months. These numbers indicate that, even among linear stalwarts, the funnel into Cord Shaving will continue to be fueled as prices keep rising, along with fewer options being offered.

Quick Facts

55.5M
Cord Traditionals
(-4M)

48%
of all TV households

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57 yrs old
Oldest segment

Cord Traditionals: Attitudes, beliefs, behaviors, and concerns

Why haven't Cord Traditionals cut the cord?

The research identified several key factors:

1. **Education**: Most Cord Traditionals lack awareness of streaming options. Many have heard of vMVPDs, but there is confusion about how they work, that they have live TV, and that they can try these services for free.

2. **Access**: They don't believe or are unaware that they can get the same programs and channels they currently have if they cut the cord, especially local programming and top cable channels.

3. **Ease**: Traditionals are familiar with the EPG as a primary means of content discovery. They are reluctant to switch to a new interface that seems intimidating to them.

4. **Features**: DVR and EPGs are essential components to their viewing experience, and most are unaware these are available through vMVPDs.

Cord Traditionals share a similar desire for social interaction with live TV as Cord Shavers. They want to connect with family, friends, and colleagues during key event moments.

Genre Viewership is spread across many of the 16 genres. They have the highest frequency of viewing of news, both local and national, and the second highest across 11 of the genres behind only Cord Shavers.

Engagement is second highest among the 4 segments with 67% watching more than five hours of TV per day on weekends and 68% watching more than five hours of TV per day on weekdays.

Quick Facts

67%
spend 5+ hours watching TV per day on weekends

68%
watch 5+ hours per day on weekdays

Cord Nevers

Cord Nevers:
Streaming is a way of life

The final segment is Cord Nevers, who make up 6.4 million TV households. They've never had a cable, satellite, or Pay TV service.

Traditional TV is less important. Cord Nevers own fewer TVs, watch less, and pay less.

The median age for a Cord Never is 32, which is 15 years younger than the next closest segment. App or channel tile environments are something that they grew up with and are more comfortable with than traditional linear TV.

Cord Nevers are much more likely to be female then the other three segments. And while the majority do live in single-family homes, they are more likely than the other segments to live in a one-bedroom or studio apartment.

Cord Nevers:
Attitudes, beliefs, and behaviors

Cord Nevers hold many of the same attitudes and beliefs as Cord Cutters when it comes to streaming. They believe streaming is more convenient, discovery is easier, and the breadth and quality of content on OTT is superior to cable.

An interesting note is that Cord Nevers do not fancy themselves as being tech savvy, even though they grew up utilizing most of the technology that we have today. Perhaps it is this second-nature idea that instills this perception among them.

Engagement 41% watch more than five hours of TV per day on weekends and and 39% watch more than 5 hours of TV per day on weekdays.

Quick Facts

6.4M
Cord Nevers
(+1M)

5%
of all TV households

41%
spend 5+ hours watching TV per day on weekends

39%
watch over 5+ hours of TV per day on weekdays

32yrs old
Youngest segment by 15 years

TV Household Segments at a Glance

Cord-Cutters	Cord-Shavers	Cord-Traditionals	Cord-Nevers
23.8M Cord-Cutters	30.2M Cord-Shavers	55.5M Cord-Traditionals	6.4M Cord-Nevers
47 years old	47 years old	57 years old	32 years old
47% spend 5+ hours watching TV on weekdays	74% spend 5+ hours watching TV on weekdays	68% spend 5+ hours watching TV on weekdays	39% spend 5+ hours watching TV on weekdays
82% satisfied	37% plan to cancel pay TV	Tech Averse	more likely to be female

Cord Status Motivations

Reasons why they cut the cord	Reasons they haven't cut the cord	Reasons they haven't cut the cord	Attributes of a Cord-Never
#1 Pay TV was too expensive	#1 Like to DVR	#1 Ease of content discovery with an EPG	#1 Believe content discovery is easier with streaming
#2 Streaming is more convenient	#2 Want live TV with all their favorite channels	#2 Want live TV with all their favorite channels	#2 Most likely to share passwords
#3 Poor Pay TV customer service	#3 Ease of content discovery with an EPG	#3 Like to DVR	#3 Streaming is second nature
#4 Better content selection on streaming	#4 Haven't discovered a Pay TV replacement	#4 Haven't discovered a Pay TV replacement	#4 Feel Pay TV is too expensive

About this study

Roku conducted a comprehensive study on the TV household landscape for this paper. The study was conducted in two phases as described below.

Phase 1

The quantitative online study was conducted and tabulated by MACRO Consulting Inc. The study consisted of two sample groups: a general population TV household sample with 7,000 participants and a Roku sample with 12,150 participants. Behavioral viewership data was used to augment survey responses. Unless otherwise noted, the data in this study is sourced from the general population of 7,000 sampled.

Phase 2

Roku's Consumer Insights team then conducted a qualitative study. Participants were selected based on the TV household segment representation as defined in Phase 1. Ethnographic in-home video was utilized with participants to better understand and explain learnings from the quantitative phase.

For more information, please contact **adresearch@roku.com**

Definitions

Pay TV service providers – Defined as cable, satellite and Pay TV providers for the purposes of this report. This categorization doesn't include "skinny bundles" or Virtual MVPDs (vMVPDs).

OTT – Over the top content streamed via the internet, and not via a cable, satellite or Pay TV service.

Cord-Traditionals – Households that pay for a traditional cable, satellite or Pay TV package and have not reduced their package in the last two years.

Cord-Shavers – Households that pay for a traditional cable, satellite or Pay TV package and have reduced their package size in last two years.

Cord-Cutters – Households that previously paid for a traditional cable, satellite or Pay TV package but no longer do so.

Cord-Nevers – Households that have never paid for a traditional cable, satellite or Pay TV packages.

Cordless – Cord Nevers and Cord Cutters.

EPG – An electronic program guide is an on-screen interface that allows viewers to see and select live programming

vMVPD – Virtual Multichannel Video Programming Distributor that aggregates live and on-demand linear television, but delivers the content over the internet, e.g. YouTube TV, Sling TV, DIRECTV NOW.

SVOD – Subscription video-on-demand, a video service where viewers pay a flat rate to stream programming on-demand, e.g. Netflix, HBO Now, Showtime.

AVOD – Ad-supported video-on-demand, a video service where programming is free for the user, but the user must watch advertisements.

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