What to Know Before Cutting the Cord

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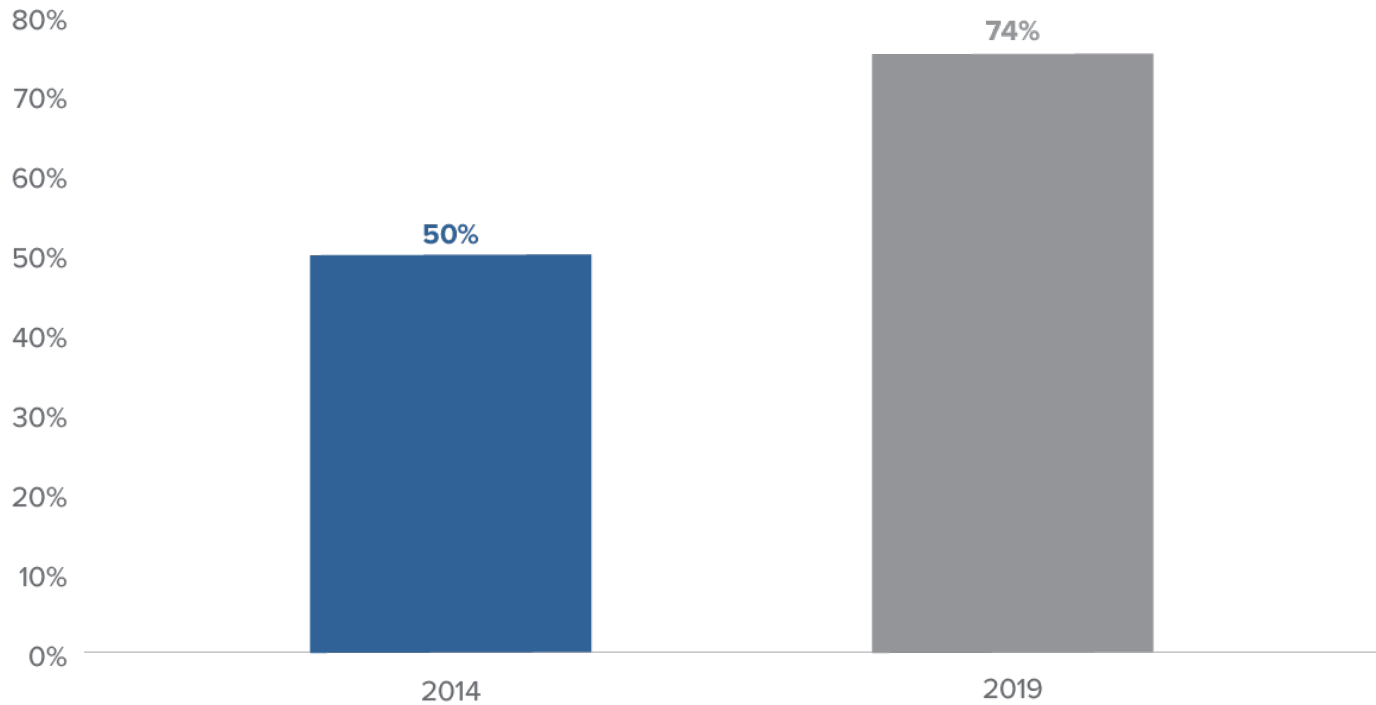
If you own a smart TV, chances are you're part of the 23.8 million Americans who've "cut the cord," or the 30.2 million who partially migrated away from traditional cable to online streaming services for video and audio content.

Smart, or connected TVs, which now represent 32% of all TVs sold, have been major catalysts, along with over-the-top (OTT) devices (Apple TV, Roku, etc.), for the streaming revolution. The latest data from Leichtman Research revealed that 74%

of U.S. households have at least one internet-connected TV device, such as a smart TV, or an OTT player like Roku, Amazon Fire TV or Apple TV. This is a huge jump from just 50% in 2014.

U.S. Households That Have at Least One Internet-Connected TV Device



Source: Leichtman Research Group

This great digital migration has changed the destiny of companies like Netflix, Apple, Hulu, Amazon and Disney, but legacy providers are fighting back with higher internet speeds, competitive cable packages and even streaming apps of their own. However you look at it, the rise of streaming is changing how content is delivered, and the biggest winners will likely be those with the content that people want to watch.

Thinking About Cutting the Cord?

A recent report from streaming provider Roku detailed the nuances of the streaming revolution. The data showed that not all cord-cutters are created equal, but more than 92% were satisfied with their decision to cut and 98% have no intent to return to traditional TV.

98%

of cord-cutters have no intent to return to traditional TV

Source: Roku, The New Generation of Cord Cutters, Sept. 2019

The recent, growing wave of anti-cable consumers are average mainstream TV viewers simply looking for value and variety. Most believe that app-based streaming services, like those on OTT devices and smart TVs are easier to use, and many are comfortable with watching a few ads to get their content for free — they predominantly want to pay less. If you're contemplating cutting the cord, first identify your "must haves." Do you require live TV or do you crave new episodes as soon as they become available? With so many options, the first thing to do is to set your priorities.

Shave First?

One way to get started is to start off small by subscribing to one or two streaming apps like Netflix or Amazon Prime before going all-in and cancelling your cable TV subscription. Of American households, more than 26% are considered shavers. More than 37% of these "cord shavers" said that they were going to go full-streaming within six months. In all, 3.5 million Americans went totally "cordless" over the last year alone, with the rate still accelerating, according to Roku.

$123/month

Average monthly spend on cable

Source: https://nocable.org/cable-tv-savings-calculator

The Players

Netflix was obviously a pioneer in the industry, evolving from a CD and DVD shipper, to a fully digital online streaming service and content provider with more than 137 million users worldwide. With its service ranging from $6 to $16 per month, users are paying for diverse content they can't get anywhere else. Original, award-winning series are what will keep subscribers paying — but while they are spending billions a year on original content, Netflix is not alone.

Other Subscription Video-on-Demand providers like Amazon's Prime TV, which is included with Amazon Prime membership ($119 annually), along with Hulu (between $6 and $16 per month) and HBO ($15 per month), continue to challenge Netflix when it comes to content. Disney+ ($7 per month, or bundled with ESPN+ and Hulu at $13 a month), with its massively popular assets like Star Wars, Pixar, Marvel and others, has gained traction in this highly competitive space.

The sports market is tricky as different networks are allotted different game slots. ESPN, which is owned by Disney, is the leader in sports broadcasting, but cord-cutters will have to pay separately for its ESPN+ app to watch many, but not all, of their favorite teams.

YouTube is an interesting anomaly as the online video-hosting site offers several ways to consume media and collect revenue. The company also boasts over 2 billion users, or nearly one-third of all internet traffic. Premium, ad-free movie, gaming, music and even virtual reality content is also available for a fee. They are also expanding original content offerings and have plenty of capital to create binge-worthy media to compete.

Ironically, cable companies like AT&T, Spectrum and even Comcast have their own apps where consumers can simply emulate their old cable box, and select the channel plan of choice, for a monthly fee. Some traditional cable providers are retooling or acquiring content creators so that they can get a piece of the streaming pie. Legacy content producers and distributors like Warner Brothers, HBO and New Line Cinema are also gearing up and even teaming up to target the streaming, direct-to-consumer market with mid-budget films.

What we do know is that the limited competition from a handful of cable companies is fading. The ability for almost anyone to launch a streaming app to the world keeps at least an element of competition that will hopefully temper prices over time. Content, at a fair price, will likely continue to dominate, but with its a la carte format, streamers can keep costs down while keeping their content engaging.

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