

# **The Battle for the American Couch Potato: Bundling, Television Internet, Telephone, Wireless**

**April 2017**

This document contains valuable confidential information of  
The Convergence Research Group Limited,  
which is licensed for internal review only.

© 2017, The Convergence Research Group Limited.  
All rights reserved.

**CLIENT CONFIDENTIAL**

[www.convergenceonline.com](http://www.convergenceonline.com)

# Contents

<b>COMMENTARY.....</b>	<b>6</b>
<b>SECTION ONE: US TV MARKET BATTLE.....</b>	<b>8</b>
Estimated US Total TV Subscribers by Cable, Satellite, Telco, 2015-2019 .....	8
US Cable Versus Satellite Versus Telco Subscribers: Estimated TV Market Share, 2015-2019 .....	8
Estimated US Cable, Satellite, Telco TV Net Subscriber Additions and Growth, 2015-2019 .....	9
Estimated US TV Subscribers by Comcast, Charter, Cox, Altice, DirecTV, Dish, AT&T, Verizon, Frontier, CenturyLink, 2015-2019 .....	9
Estimated TV Subscribers by Mediacom, Wow, Cable One, 2015-2017 .....	10
Estimated US TV Revenue by Cable, Satellite, Telco, and ARPU, 2015-2019 .....	10
Estimated TV Revenue by Comcast, Charter, Cox, Altice, DirecTV, Dish, 2015-2019 .....	11
Estimated TV ARPU by Comcast, Charter, Cox, Altice, DirecTV, Dish, 2015-2019.....	11
Comcast, Charter, Cox, Altice by Estimated Residential Internet/TV Subscriber Overlap and Telephone/TV Subscriber Overlap, 2015-2017 .....	12
AT&T, CenturyLink, Frontier, Verizon by Estimated Residential Internet/Residential Wireline Telephone Subscriber Overlap, and TV/Residential Wireline Telephone Subscriber Overlap, 2015-2017 ...	12
Cord Cutter/Never Households: Accelerating.....	13
US Cord Cutter/Never Household Model, 2008-2019 .....	13
Comparing DirecTV & Dish .....	15
Cable TV: Annual TV Subscriber Losses Continue to Diminish on the Back of Strong Broadband Additions.....	17
Comcast, Charter, Cox, Altice: Subscriber Trajectories, Rate Increases, Bundles .....	18
AT&T, CenturyLink, Frontier, Verizon’s TV & Broadband Network Strategies, Offers, Pricing .....	20
Estimated Total US Telco TV Subscribers Broken Out by AT&T, Verizon, Frontier, CenturyLink, Other, 2015-2019 .....	20
Estimated US Telco TV Subscribers by TDS, Cincinnati, Consolidated, Hawaii, 2015-2017.....	20
AT&T: U-verse Network, Subscriber Metrics, DSL Cannibalization, DirecTV, Review of TV, Internet, Telephone Prices and Packages.....	21
CenturyLink: Prism Network, Subscriber Metrics, Review of TV, Internet, Telephone Prices and Packages, DirecTV .....	24
Frontier: Network, Fios Acquisition & Losses, Subscriber Metrics, Review of Vantage TV, Internet, Telephone Prices and Packages, Dish .....	26

Verizon: Fios Network, Subscriber Metrics, DSL Cannibalization, DirecTV, Review of TV, Internet, Telephone Prices and Packages.....	28
Authentication, VOD, DVR and HD .....	30
Cable, Satellite, Telco TV Access Providers Authenticated Offerings.....	30
Cable/Satellite/Telco VOD: Growth Constrained.....	33
Estimated US Cable/Satellite/Telco TV VOD Revenue, 2015-2019 .....	33
Satellite, Cable, Telco DVR: Penetration Still Rising...Pricing by Provider .....	34
Estimated US DVR Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subscribers, 2015-2019 .....	34
Estimated US DVR Penetration by Cable, Satellite, Telco, 2015-2019 ..	34
Estimated DVR Subscribers and Penetration by AT&T, Charter, Comcast, DirecTV, Dish, Verizon, 2016 and 2017.....	34
Estimated US HD Subscribers by Cable, Satellite, Telco, and as Percentage of Total TV Subscribers, 2015-2019 .....	36
Estimated US HD TV Penetration by Cable, Satellite, Telco, 2015-2019 .....	36
Estimated HD Subscribers and Penetration by AT&T, Charter, Comcast, DirecTV, Dish, Verizon, 2016 and 2017.....	36

**SECTION TWO: US INTERNET ACCESS MARKET BATTLE ..... 39**

Estimated US Residential Internet Subscribers by High Speed Cable, Telco, Other Broadband, and as Percentage of all US Residences, 2015-2019.....	39
US Residential Cable Versus Telco Versus Other Broadband Subscribers: Estimated Market Share, 2015-2019.....	40
US Residential Cable Versus Telco Internet Subscribers: Estimated Market Share, 2015-2019.....	40
Estimated US Cable, Telco, Other Net High Speed Internet Subscriber Additions and Growth, 2015-2019 .....	41
Estimated Share of US High Speed Internet Subscriber Additions by Cable, Telco, Other 2015-2019.....	41
Comcast, Charter, Cox, Altice by Estimated Residential Internet Subscribers, and Cable TV Subscriber Overlap, 2015-2019.....	42
AT&T, Verizon, CenturyLink, Frontier by Estimated Residential Internet Subscribers, and Residential Wireline Telephone Subscriber Overlap, 2015-2019 .....	42
Estimated Residential Internet Subscribers by Mediacom, Wow, Cable One, 2015-2017 .....	43
Estimated Residential Internet Subscribers by Windstream, TDS, Fairpoint, Cincinnati, Consolidated, Hawaii, 2015-2017 .....	43
Estimated AT&T, CenturyLink, Frontier, Verizon, Comcast, Charter, Cox, Non-Residential Internet Subscribers, 2015-2017 .....	44
Estimated US Residential Internet Access Revenue by Total High Speed, Cable, Telco, Other Broadband, and High Speed ARPU, 2015-2019 .....	45
Estimated Residential Internet Access Revenue by AT&T, CenturyLink, Frontier, Verizon, Charter, Comcast, Cox, Altice 2015-2019 .....	45

Cable Crushing It: Cable’s Residential Internet Market Share Lead Continues to Grow, Telcos Go Negative.....	46
Telcos Versus Cable Offers: Analysis of AT&T, CenturyLink, Frontier, Verizon, Altice, Charter, Comcast, Cox, Including Speed, Price, Bundle Offers, Caps/Overage, Network Enhancements, Subscriber Trajectories.....	48
AT&T .....	48
CenturyLink.....	50
Frontier .....	51
Verizon .....	52
Altice .....	54
Altice Versus Verizon.....	54
Charter .....	55
Charter Versus AT&T, CenturyLink, Frontier Vantage, Verizon .....	55
Comcast .....	56
Comcast Versus AT&T, CenturyLink, Frontier Vantage, Verizon .....	56
Cox .....	58
Cox Versus AT&T, CenturyLink, Verizon .....	58

**SECTION THREE: US WIRELINE TELEPHONE BATTLE..... 59**

Estimated US Wireline Cable Telephone, Residential Cable Telephone, Residential Telco, Total Residential Telephone Subscribers, Cable Residential Telephone Market Share, 2015-2019 .....	59
Estimated Wireline Telephone Subscribers by Comcast, Charter, Cox, Altice, 2015-2019 .....	59
Estimated US Cable Telephone Subscriber /TV Subscriber Overlap by Comcast, Charter, Cox, Altice, Total Cable (includes Other), 2015-2019 .....	60
Estimated US Wireline Residential Telephone Lines and Line Loss by AT&T, Verizon, CenturyLink, Frontier, Total Telco (includes Other), 2015-2019.....	60
Estimated Residential Wireline Telephone Lines by Windstream, TDS, Fairpoint, Cincinnati, Hawaii, 2015-2017 .....	61
Estimated Wireline Telephone Subscribers by Mediacom, Wow, Cable One, 2015-2017 .....	61
Estimated US Telco Residential Wireline Telephone Subscriber Loss to Cable Telephone, Wireless Substitution, 2015-2019 .....	62
Estimated US Wireless-Only Household Penetration, 2015-2019 .....	62
Telco Residential Telephone Line Loss, Cable Telephone Additions, Wireless-Only Household Penetration Growth...Half US Homes Wireless-Only in 2018 .....	63
AT&T, CenturyLink, Frontier, Verizon’s Residential Telephone Offers & Pricing, Subscriber Trajectories.....	64
Comcast, TWC, Charter, Cox, Cablevision’s Residential Telephone Offers & Pricing, Subscriber Trajectories.....	66

**SECTION FOUR: US WIRELESS TELEPHONE BATTLE..... 67**

Estimated US Wireless Subscribers, Net Additions, Subscriber Growth, Population, Penetration of Population, 2015-2017 .....	67
---	----

Estimated Wireless Subscribers by AT&T, Sprint, T-Mobile, Verizon, 2015-2017.....	67
Estimated Wireless Subscriber Market Share by AT&T, Sprint, T-Mobile, Verizon, 2015-2017 .....	68
Estimated Wireless Service Revenue by AT&T, Sprint, T-Mobile, Verizon, 2015-2017 .....	68
Estimated Wireless Service ARPU by AT&T, Sprint, T-Mobile, Verizon, and Total Weighted Average ARPU, 2015-2017 .....	69
Estimated Wireless Operating Margin by AT&T, Sprint, T-Mobile, Verizon, 2015-2017 .....	69
Estimated Churn by AT&T, Sprint, T-Mobile, Verizon, 2015 and 2016 .....	70
Estimated Smartphone Penetration of Retail Postpaid Subscribers by AT&T, Sprint and Verizon, 2015-2018.....	70
AT&T, Verizon, Sprint, T-Mobile: Pricing Changes and Offers .....	71
AT&T, Verizon, Sprint, T-Mobile Financial, Subscriber, Spectrum, Network Status .....	75
Wireless Substitution/ Wireless-Only Households .....	79
Estimated US Telco Residential Wireline Telephone Subscriber Loss to Cable Wireline Telephone, Wireless Substitution, 2015-2019 .....	79
Estimated US Wireless-Only Household Penetration, 2015-2019 .....	79
<b>SECTION FIVE: US BUNDLE BATTLE BOTTOM LINE.....</b>	<b>81</b>
Comparing AT&T DirecTV and U-verse Bundles: Charter, Comcast, Cox82	
Comparing CenturyLink DirecTV and Prism Bundles: Comcast and Cox83	
Comparing Frontier Vantage Bundle: Charter and Comcast .....	84
Comparing Verizon DirecTV and Fios Bundles: Altice, Charter, Comcast, Cox .....	85
<b>SECTION SIX: PROFILES .....</b>	<b>86</b>
Altice USA .....	87
AT&T Inc. /DirecTV .....	89
CenturyLink Inc.....	96
Charter Communications Inc.....	98
Cox Communications .....	102
Dish Communications Corp. ....	104
Frontier Communications Corp. ....	106
Sprint Corp. ....	108
T-Mobile USA .....	110
Verizon Communications Inc. ....	112

## Commentary

Now in its 15th year of publication, **The Battle for the American Couch Potato: Bundling, TV, Internet, Telephone, Wireless** (116 pages) contains analysis of product offers (including price comparisons), strategy, and subscriber/financial performance metrics **by Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census. **Please see Table of Contents for what is included in this Report:**

We estimate 2016 US Cable, Satellite, Telco TV access provider (not including OTT) revenue grew 3% to \$107.3 billion (\$91/mo. ARPU) and forecast \$109.6 billion (\$95/mo. ARPU) for 2017. We forecast Cable, Satellite, Telco will have 55%, 35%, 10% of US TV subscribers YE2017, from 54%, 35%, 11% YE2016. YE2016 we estimate 62% of TV subs had DVR & 77% HD.

US TV subscriber losses and cord cutter/never household additions saw a major increase in 2016 as compared to 2015: We estimate 2016 saw a decline of 2.05 million US TV subscribers, 2015 saw a decline of 1.16 million, and forecast a decline of 2.11 million TV subscribers for 2017. As illustrated in our US Cord Cutter/ Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2016 we estimate 27.2 million US households (22.3% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 24.2 million (20% of HHs) YE2015, and we forecast 30.3 million (24.6% of HHs) YE2017. 2015 saw 2.1 million, 2016 3 million, and we forecast 3.1 million 2017 cord cutter/never household additions.

Not only has Cable reduced its annual TV subscriber losses by more than half 2015-2016 as compared to 2009-2014, a trend we forecast will continue, Cable is also crushing it when it comes to residential broadband subscriber additions. Over the last five years Cable has added nine times the residential broadband subscribers the Telcos have.

We estimate 2.54 million US residential broadband subscribers were added in 2016 and revenue grew 9% to \$51.3 billion; we forecast 2.68 million and \$54.7 billion for 2017. Cable continues to add the lion's share of residential broadband subs for a number of reasons including AT&T and Verizon DSL cannibalization, Telco ongoing residential wireline telephone loss & gaps in higher-speed broadband coverage, and Cable's speed for the price. Frontier's losses on its Verizon broadband subscribers also contributed to the Telcos' poor 2016 numbers.

2016 Telco US residential wireline telephone line loss was we estimate 8%, we forecast 8% for 2017. Wireless substitution was responsible for we estimate 87% of the 2016 loss. We estimate wireless-only households at 45% YE2016, and forecast 48% YE2017 & 50% YE2018. Cable represented 43% of US residential wireline telephone subs YE2016, we forecast 45% YE2017.

2016 saw the four largest carriers add 17.7 million US wireless subscribers and we forecast 15.5 million for 2017. 2016 saw a 7% drop in weighted US wireless service ARPU and 1% drop in wireless service revenue. We forecast a 4% decline in weighted wireless service ARPU and flat wireless service revenue for 2017. T-Mobile continues to dominate in terms of subscriber additions and service revenue growth; we forecast T-Mobile will not see a decline in wireless service ARPU for 2017.