Pay TV subscriptions expected to rise through 2019

Mike Snider, USA TODAY*9:19 a.m. EDT April 15, 2014*

For the pay-TV industry, 2013 was a down year. But pay-TV providers can look forward to growth in the next five years.

Subscriptions dropped less than 1% in 2013 — the first decline for providers. But homes that subscribe to pay TV are expected to grow annually from 2014 to 2019, increasing from about 101 million to 103.2 million, according to a new report out today from Strategy Analytics.

Better pay-TV services that incorporate Net TV content providers such as Netflix and deliver improved on-the-go content viewing will help drive increased subscriptions, the research firm says. And more homes will opt for pay TV from telecom providers such as AT&T and Verizon.

That explosion of choice — in TV delivery and programming — puts the onus on viewers, says Joel Espelien of The Diffusion Group. "You have to be so much more of a sophisticated consumer," he says, "because these services are part-technology, part-user interface and part-original content."

But even double-digit increases in sophisticated Internet-based pay-TV services cannot prevent the pay-TV household penetration rate from falling slightly — from about 81% in 2013 to about 78% in 2019. Contributing to the decline: cord-cutting homes and new homes that don't get pay TV.

"Going forward, we do see modest growth in pay TV subscriptions," says Strategy Analytics analyst Eric Smith. "It's just not fast enough to keep pace. There's price pressures on people and there's new options that people are giving a chance."

This isn't the first signal that pay-TV subscriptions fell in 2013. Last month, research firm SNL Kagan reported a decline of about 251,000 in 2013. But this new report suggests that even more subscriptions were lost, about 588,000.

Age can play a part in pay-TV's appeal, according to Forrester Research. While only 6% of all online adults have cut the cord in favor of Net-delivered video, the amount of cord cutters rose to 10% when results were narrowed to 18-to-24-year-olds.

There's another 14% of those ages 18 to 24 who are thinking seriously about cutting the cord, Forrester found. Among all online adults, 9% are considering it.

"With the new generation not being as tied down to pay TV, there's some experimentation going on," Smith concurs.

Remember getting your TV via an antenna? Many cord-cutting homes are turning to that classic tech gadget to pick up local TV broadcasts to supplement Internet TV offerings, he says. Homes using antennas rose to 21.5 million in 2013, up 7% from 2012.

A growing trend in Canada and Europe of pay-TV providers aligning with Netflix and other services to make it easier for subscribers to see *House of Cards* and other content will likely become more common in the U.S., Smith says.

The expected merger of Comcast and Time Warner Cable could result in more subscriptions. Comcast's Xfinity platform, which gives users increased flexibility in watching on-demand TV on devices outside the home, "may drive more interest in having pay TV," he says.

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