

# US cable TV bleeds subscribers as online grows

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The new Sony Internet TV pictured at its unveiling in New York City, October 2010. According to a study released last week by consulting firm Frank N. Magid Associates, only one percent of US consumers have cancelled their television subscription in favor of accessing content available on the Web and only 2.5 percent of consumers use Internet content exclusively.

The economic downturn has US cable television companies shedding subscribers in record numbers and Americans increasingly "cutting the cord" in favor of cheaper online options, new research shows.

The findings point to a growing pool of potential customers for online services such as Hulu and Netflix and newcomers like Apple TV and Google TV, which offer lower prices and more flexibility, analysts say.

According to research firm SNL Kagan, US [cable operators](#) lost 741,000

basic video customers in the third quarter of the year, the biggest decline since it started tracking the segment in 1980.

Comcast, the largest US cable operator, lost 275,000 video subscribers during the third quarter while [Time Warner Cable](#), the second-largest, shed 155,000 video customers in the July-September period.

The pay television sector -- which includes [satellite television](#) and TV services offered by telecom firms in addition to cable -- lost 119,000 customers in the quarter after gaining 346,000 a year ago, SNL Kagan said.

Combined with a loss of 216,000 customers in the second quarter, the first ever decline in its history, the pay television segment has fallen 2.3 percent in the last six months to around 100 million subscriptions, it said.

Cable television executives have pinned the blame for the unprecedented losses on high unemployment and the recession.

"I think there's much ado about very little in terms of all the talk about cord cutting," Philippe Dauman, president and chief executive of Viacom, told financial analysts on the television titan's latest earnings call.

"We don't see cord cutting as affecting our business," said the Viacom chief, whose properties include cable networks Comedy Central and MTV.

"I think it's remarkable that in the teeth of a powerful recession that we went through that continued viewership of subscription television held up as well as it has," Dauman added.

"And as the economy recovers we expect to see the number of television

subscribers in the US grow at a better clip than it has over the last year and a half or so."

As for Netflix, Dauman said it has "positioned itself, not as being a substitute for television viewing but as a complementary service, and that is the way it is being used."

[Netflix](#) claims over 16 million members in the United States and Canada and last week unveiled a 7.99-dollar monthly plan that allows unlimited streaming of movies and television over the Web.

Hulu, which is owned by The Walt Disney Co., News Corp. and NBC Universal, recently introduced "Hulu Plus," which offers online viewing of recent television episodes, also for 7.99 a month.

While penny-pinching in hard times is behind the decision of many Americans to abandon pay television, industry analysts said there are signs that some are replacing cable with the newly available online options.

"It is becoming increasingly difficult to dismiss the impact of over-the-top substitution on video subscriber performance, particularly after seeing declines during the period of the year that tends to produce the largest subscriber gains," said Ian Olgeirson, senior analyst at SNL Kagan.

Jeff Kagan, a telecom industry analyst who shares the same name but is not affiliated with SNL Kagan, said a number of factors were behind the drop in cable subscribers, including the inability to buy channels a la carte.

"In order to raise rates annually, the cable television industry always adds more channels and says it is still a good deal," Kagan said.

"However, the average customer still watches the same 10 to 15 channels," he said. "Adding more channels and charging more does not make it a better deal... It just makes it more expensive."

Kagan said US consumers have lived with costly monthly cable bills for years because they had no choice but "now things are changing."

"Suddenly there is competition in many markets from satellite television companies and the IPTV services from phone companies," he said.

"Suddenly the economy is rough and people increasingly want to save money.

"Suddenly there are new services that are popping up like [Google TV](#) and Apple TV and more, taking us away from traditional television," he said.

"The customer finally had enough," Kagan said. "Now with choices they are making their move."

While some undoubtedly are, they remain a tiny minority for now.

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