

Excerpts from:

U.S. Cable & Satellite: How Economically Sensitive Is Pay TV?

Courtesy of Bernstein Research/Craig Moffitt

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Below are excerpts taken from the *U.S. Cable & Satellite: How Economically Sensitive Is Pay TV?* report that highlight the tremendous value cable's video service provides to consumers.

Cable rates have declined:

- “Taking into account the increased amount of time U.S. households spend watching television, and the fact that cable's share of total television viewing has increased, the real price of an hour of cable TV has actually declined by an inflation-adjusted 26% over the past 10 years.”

Cable is a good entertainment value:

- “The cost of an hour of cable has also declined on a relative basis versus competing forms of entertainment, including movies, DVD purchases, DVD rentals, and even the Internet.”
- “However, what is telling is that cable has become a far cheaper form of entertainment versus movies over time. In the early 1990's, the cost of a cable hour was about one-third the per-hour cost of a movie (assuming an average movie length of 2 hours). Since then, the relative cost has dropped almost continually, to about 13.7% in 2007.”

People are spending more time watching cable programming:

- “Taking into account American households' ever-expanding appetite for television consumption along with cable's steady share-grab from broadcast television, it is easy to make the case that the value that people put on the product itself – as measured by the amount of time they spend using it (at the expense of alternative uses of their time) has risen much more dramatically than has cost. Indeed, the cost of cable per hour consumed has actually fallen substantially over time in real terms, suggesting that the product should prove less, not more, price elastic than it has in the past.
- “Average TV viewing time per U.S. household has increased by a 1.4% CAGR over the last 10 years, reaching a staggering 8.3 hours per day in September, 2008.”
- “Between 1997 and 2007, ad-supported cable's share of total television viewing steadily increased from 32.7% to 51.4% - which, when combined with the increase in the number of total hours of television watched daily, has resulted in a nearly 80% increase in the number of cable hours viewed daily per household over the last 10 years (currently at ~4.2 hours/day), versus a 23% decline in the number of broadcast hours viewed daily over the same timeframe (currently at ~3 hours/day). This increased consumption of cable qualitatively attests to cable's enhanced value over time (or at least the relative value of Pay TV versus "free" over-the-air broadcast).”

Video service has dramatically improved:

- “One clear measure of value is choice. Around the time of the 1991 recession, for example, cable operators typically offered just ~40 channels of programming, and the average subscriber received significantly fewer than that. Today, the average subscriber receives more than 70, and has the option to receive hundreds more. Incremental choice can be directly linked to utility.”