



Rural Video and Broadband Industry Study — 2021

InnovSys.com

Introduction

It's no secret that the video and broadband sectors are constantly evolving. New applications, new technology, and new business models are frequently introduced. As a result, video and broadband consumers also consistently evolve. For network operators, gaining a better understanding of consumer usage behavior for video, broadband, and Wi-Fi services can be extremely helpful for determining the right product roadmap and for implementing a customer experience that will be meaningful for subscribers.

The 6th Annual Rural Video and Broadband Industry Study provides comprehensive data and analysis of rural consumer usage patterns, providing rural network operators with this better understanding. This research study was conducted by Pivot Group and the data was captured directly from over 800 rural consumers all across the country, providing a statistically significant representative sample of U.S. rural internet subscribers.

Key findings and analysis are provided in Rural Video Usage, Rural Broadband and Wi-Fi Usage, and Pandemic Impact sections below. Additional findings are provided in an appendix following these sections.

Rural Video Usage

Like with the broader population, video usage among rural consumers is evolving. Consumers have many options and rural video subscribers are utilizing emerging streaming services, as well as traditional pay-TV and local broadcast viewing options.

Key video findings from this research include the following:

- Forty-nine percent of rural households are now streaming, including 68% of 18–34-year-olds.
- Forty-three percent of rural TV subscribers do not stream at all.
- Adding streaming to a TV package increases customer satisfaction.
- Access to local channels and bundling internet are the top two reasons for staying with a current TV provider.
- There is a cord cutting risk over the next 12 months with about 35% of existing pay-TV subscribers who receive video from a local provider.
- Adding a streaming option may reduce overall churn risk for TV providers.

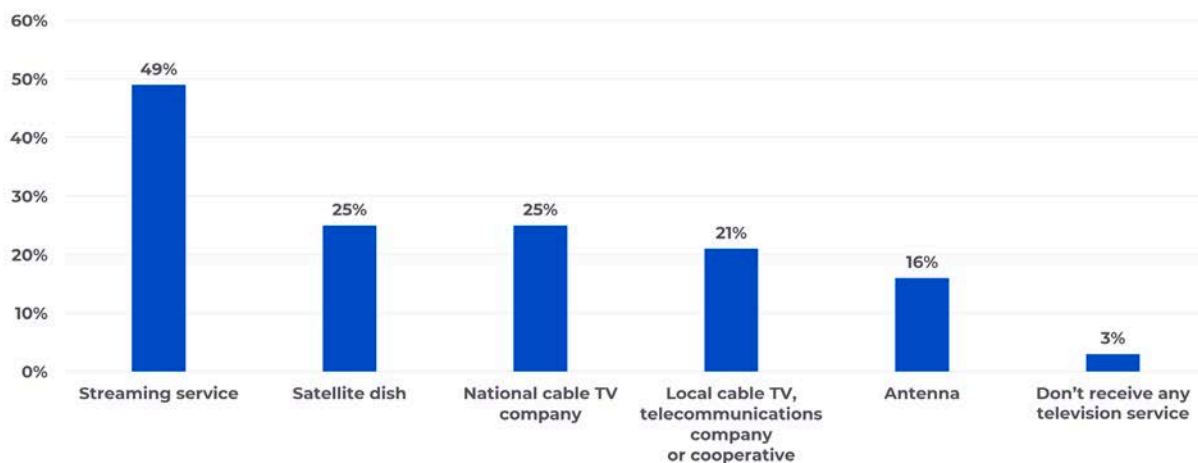
Television Reception and Satisfaction

The following data reveals how rural subscribers receive video content and their overall satisfaction with TV service.

Which of the following describes how you receive television service in your home? (n=807)

Note: All of these options add up to more than 100% because people can get TV from multiple sources

How Are You Receiving TV Service?

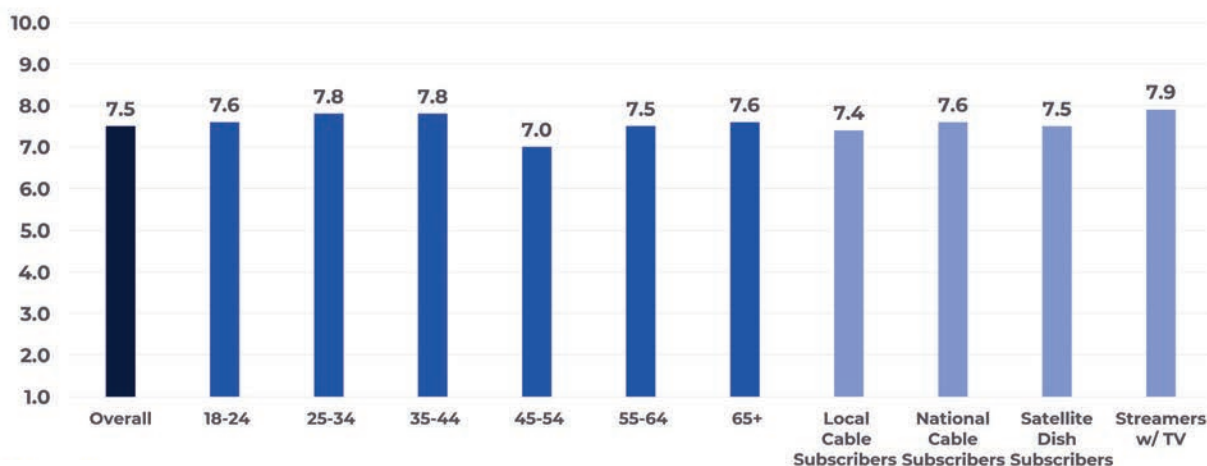


- Just about half of rural residents identify streaming as a source for video.
- DBS satellite accounts for 25% of rural TV subscribers, and another 25% subscribe to a national cable TV provider.
- Just about 1 in 5 households (21%) get TV from a local provider or cooperative.
- Local broadcast television via an antenna reaches 16% of rural residents.

Please rate your overall satisfaction with your television provider. (n=525)

Note: 10 means completely satisfied and 1 means completely dissatisfied

Satisfaction with TV Provider



- Overall, rural residents give TV service a 7.5 on that 1 to 10 scale, which is pretty consistent across most categories.
- Households with streaming and TV have the highest satisfaction rate.

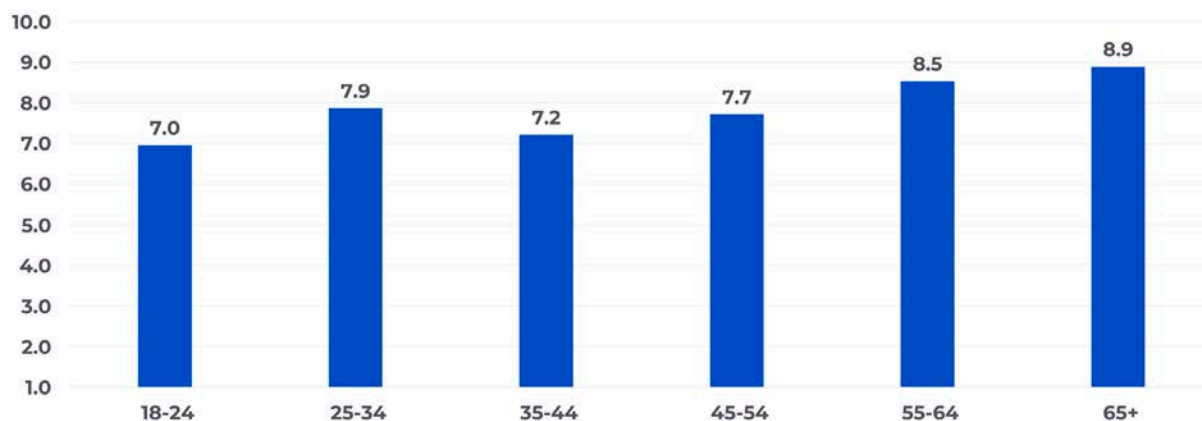
Content Preferences

The following data reveals insights into rural TV subscriber content preferences.

How important is it for your household to have channels with local news, weather, and sports? (n=522)

Note: 10 means very important and 1 means not important at all

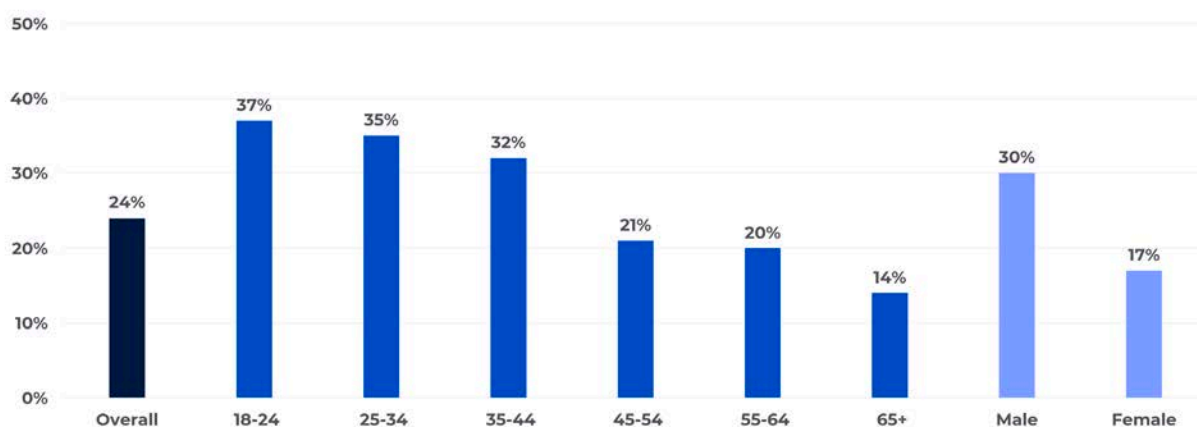
The Importance of Local Programming



- Local channels matter, especially to older demographics, with 65 and older rating the importance at roughly 9 out of 10
- But even with the younger demographic, rating it a 7 out of 10 is meaningful.

Approximately what percentage of your household's television viewing is sporting events? (n=459)

Sports Content Viewership

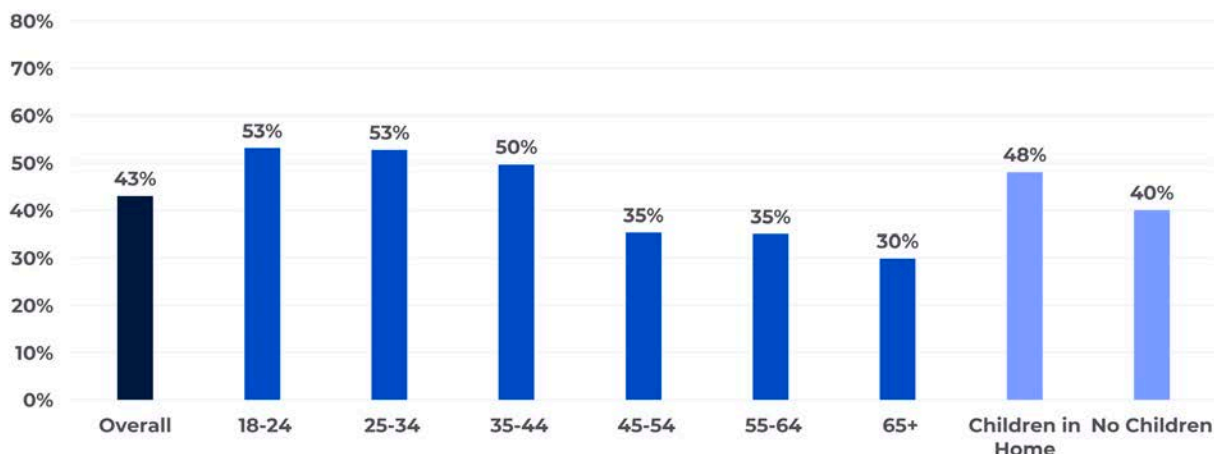


- Roughly a quarter of rural subscriber's television viewing is on sports content.
- The younger you are, the more sports you watch.

Content Preferences — Continued

Approximately what percentage of your household's total television viewing is streaming? (n=271)

How Much Streaming vs Traditional TV Content?



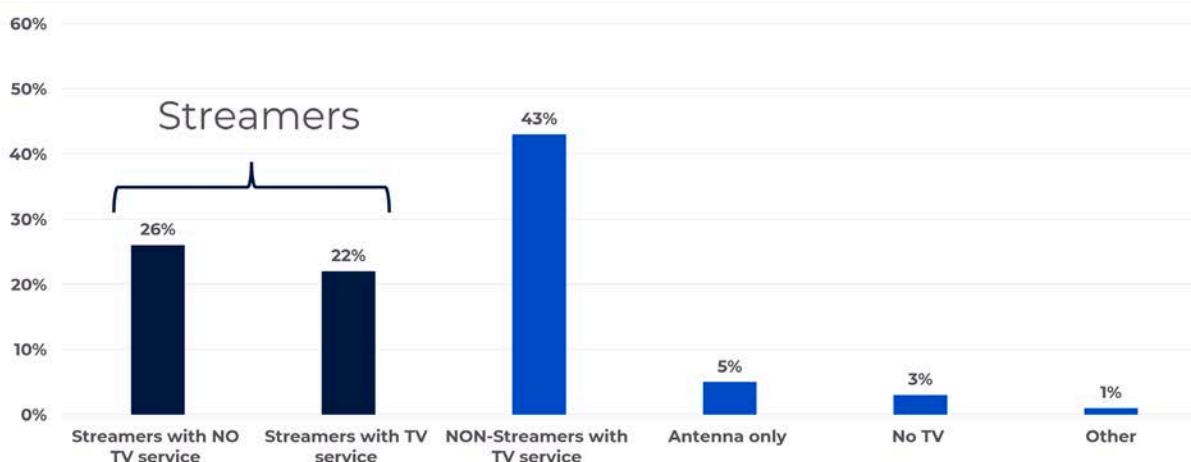
- For households who do stream TV, about 43% of their overall TV viewing is through streaming services.
- The older you are, the less streaming you do, with 30% of total TV viewing devoted to streaming services for the 65 and over demographic.
- Close to half (48%) of all TV viewing is streaming for households with children present.

Streaming TV

The rise of streaming TV is well documented. This data reveals streaming video usage behavior trends for rural TV households.

Which of the following describes how you receive television service in your home? (n=807)

A Closer Look at Streamers



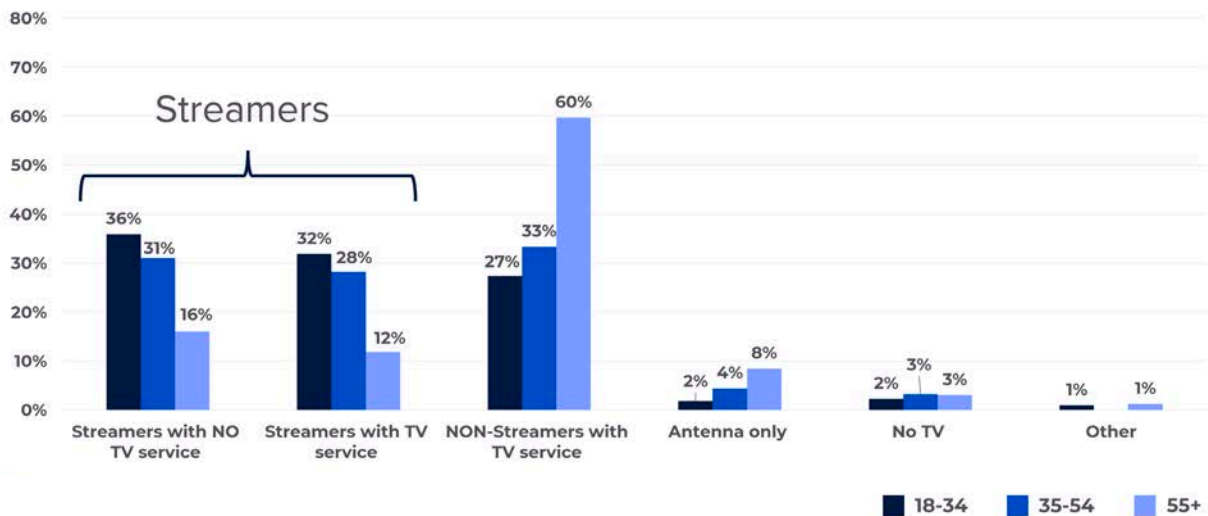
- About 26% of rural households say they've gone streaming only, or have cut the traditional pay-TV cord.
- An additional 22% of streamers still subscribe to traditional TV.
- About 43% say they don't stream at all.

Streaming TV — Continued

Which of the following describes how you receive television service in your home? (n=807)

Note: By age

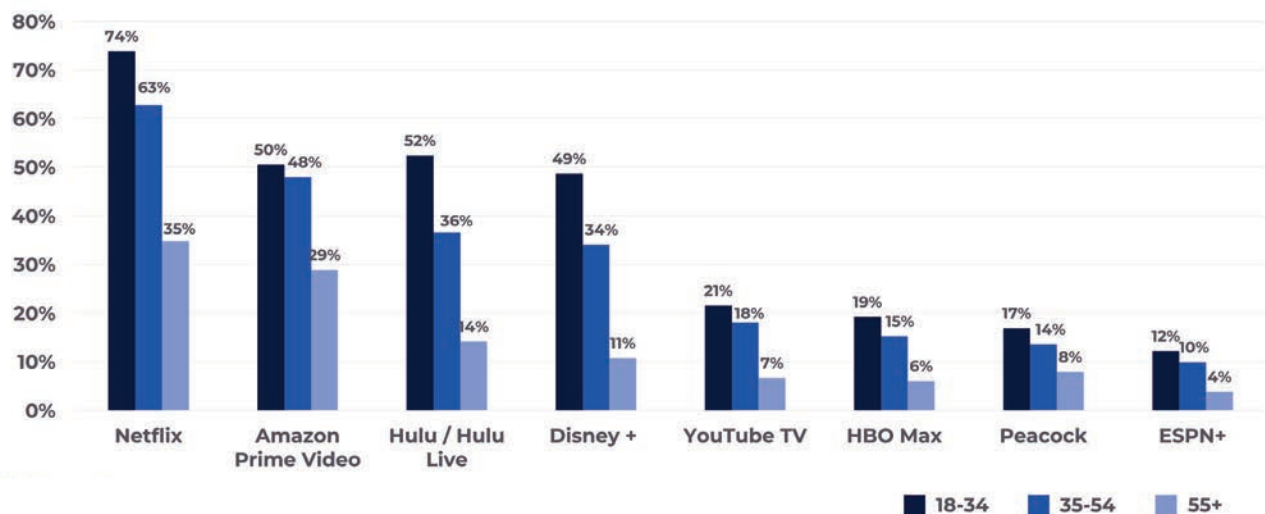
A Closer Look at Streamers by Age



- Just over 1/3 of the 18-34 age bracket do streaming only, roughly 38% higher than the rural average across all age groups.
- Only 16% of 55 and older stream only.
- Sixty percent of the 55 and older demographic who subscribe to pay-TV, don't stream at all.

Which of the following streaming services, if any, do you subscribe to? (n=777)

Most Popular Streaming Services by Age



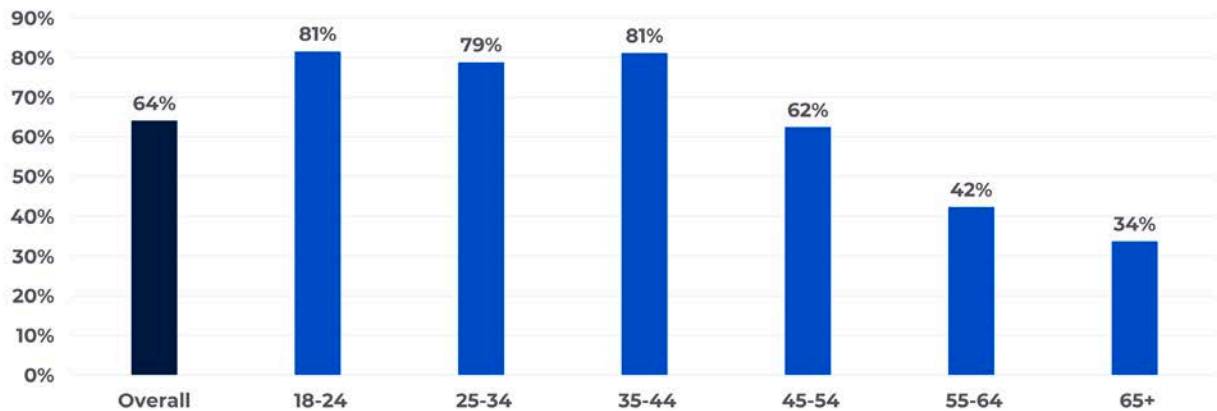
- Netflix, Amazon Prime, and Hulu are the top viewed streaming services.
- New players including HBO Max and Peacock are already more popular than ESPN+.

Streaming TV — Continued

Does your household ever stream video or watch live television programs on a mobile device, such as a laptop, iPad, or smartphone? (n=387)

Note: Percentage indicates those answering yes.

Use of Mobile Device for Streaming



- Watching video on multiple devices, including a phone, tablet, or laptop, is taking place with 64% of rural subscribers.
- There is a wide gulf between the younger demographic (18-24) at 81% watching on mobile devices and the older demographic (65+) at 34%.

Rural Broadband and Wi-Fi Usage

The COVID-19 pandemic exposed the critical need for broadband connectivity everywhere. In rural markets, consumers are stressing the need for good consistent speeds at a reasonable price. The pandemic highlighted a desire for faster speeds among a significant chunk of rural consumers.

Other key findings include:

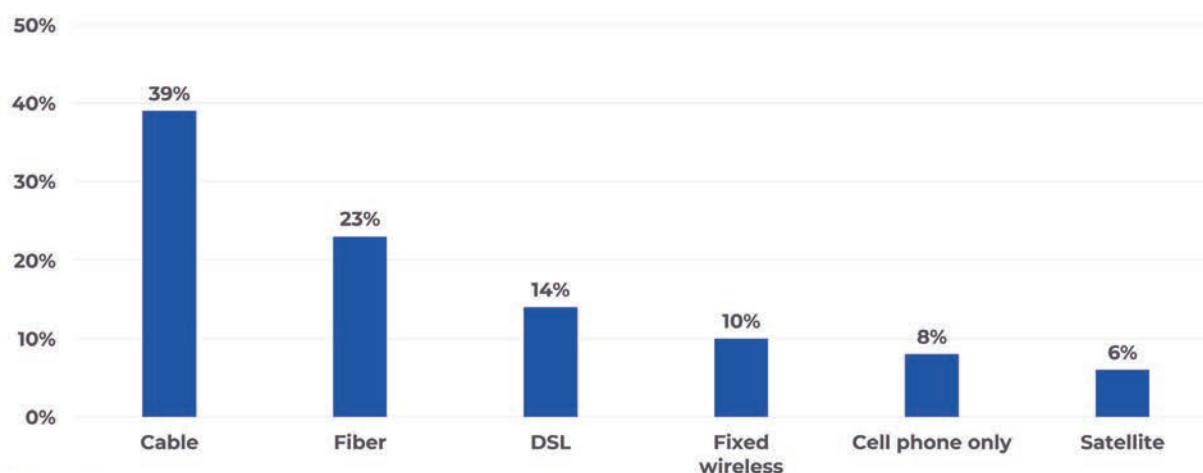
- Roughly 23% of rural Internet customers subscribe to fiber, 39% to cable broadband, 14% to DSL, 10% use fixed wireless, and 6% use satellite broadband.
- Satisfaction with fiber internet (8.1 on a 1 to 10 scale) and fixed wireless internet (7.9) is notably higher than cable internet (7.4) and DSL internet (7.1).
- Close to 1/2 of rural customers bundle internet and TV.
- Sixty percent of respondents with managed Wi-Fi believe the service is Somewhat Valuable (31%) or Very Valuable (29%)
- Just over 1/4 of rural customers have managed Wi-Fi, and more than 1/3 are interested in it.
- Almost 1/3 of rural Internet customers are seeking faster speeds.

Broadband Access and Satisfaction

The following data explores how rural subscribers receive internet service and their overall satisfaction with it.

Which of the following best describes how internet is delivered to your home? (n=756)

Broadband Access Technology

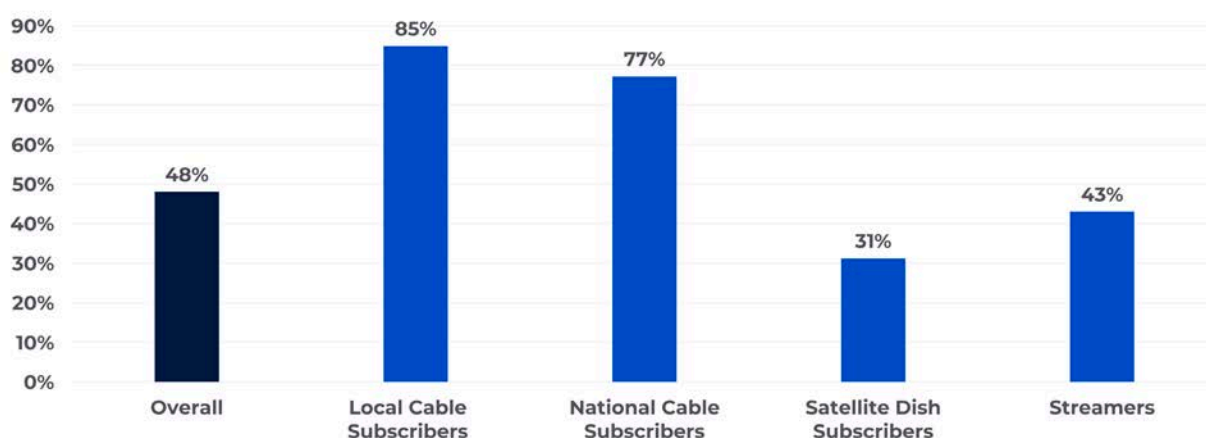


- Cable broadband takes the lead for rural broadband access at 39%.
- Fiber broadband penetration for rural America stands at 23%.

For internet, do you use the same company you use for TV service? (n=803)

Note: Percentage indicates those answering yes.

Bundling Internet and TV

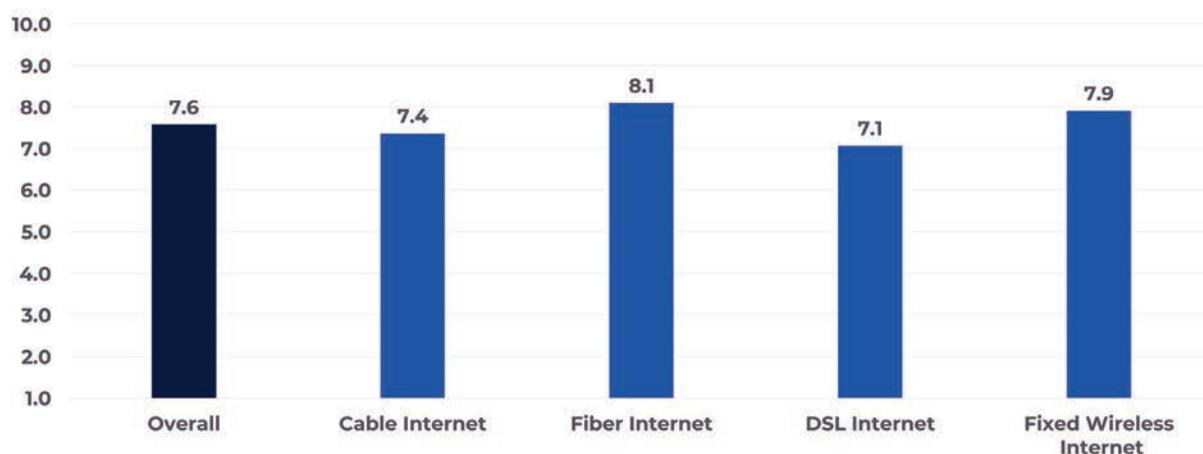


- Almost half (48%) of rural customers bundle internet and TV.
- Local and national pay-TV providers are doing well in bundling internet, with an attach rate of over 75% or more.

Broadband Access and Satisfaction — Continued

Please rate your overall satisfaction with your internet provider. (n=738)

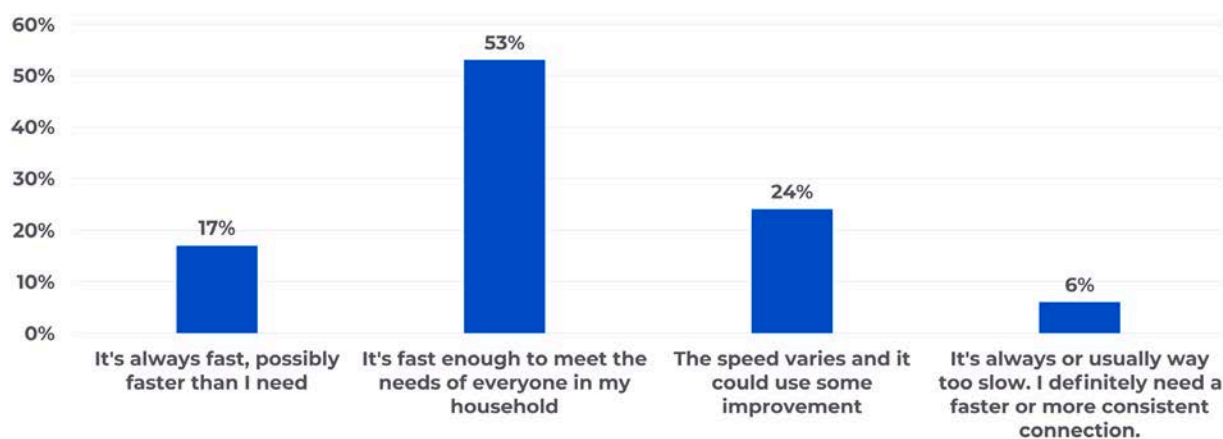
Satisfaction with Broadband Provider



- Fiber subscribers are the most satisfied, with an 8.1 rating on a scale of 1 to 10.
- DSL subscribers are the least satisfied, with a 7.1 rating.

Which one of the following best describes your opinion about your home internet speed? (n=737)

Does Speed Matter?



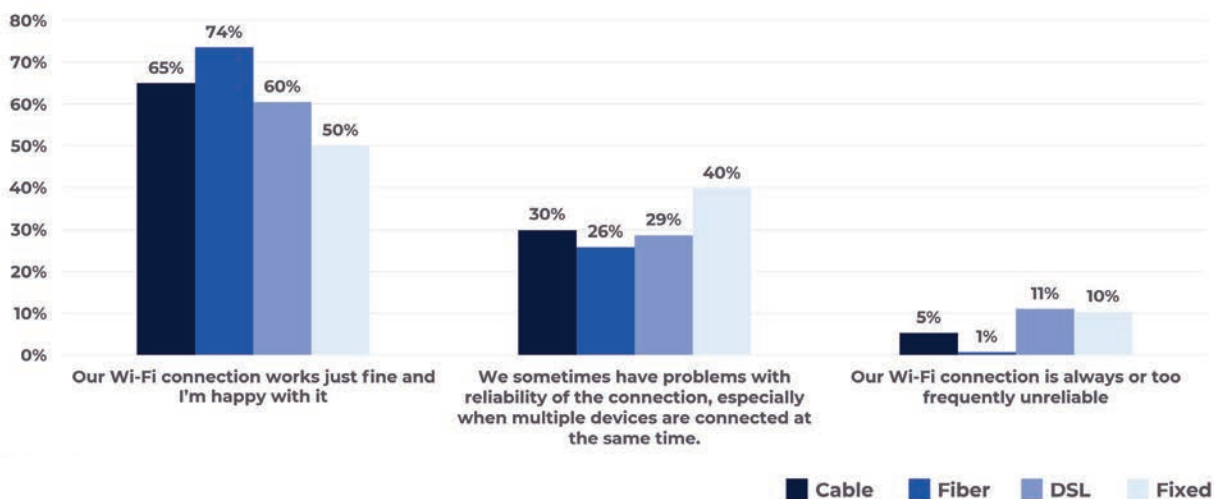
- Just over half (53%) of rural internet subscribers say their current speed is just fine.
- Almost 1/3 (30%) of subscribers say the speed could be improved or it's way too slow, representing a speed upgrade opportunity for network operators.

Wi-Fi Usage

Wi-Fi's importance only continues to grow and the following data highlights Wi-Fi usage and satisfaction among rural consumers.

Which one of the following best describes your Wi-Fi experience at home? (n=658)

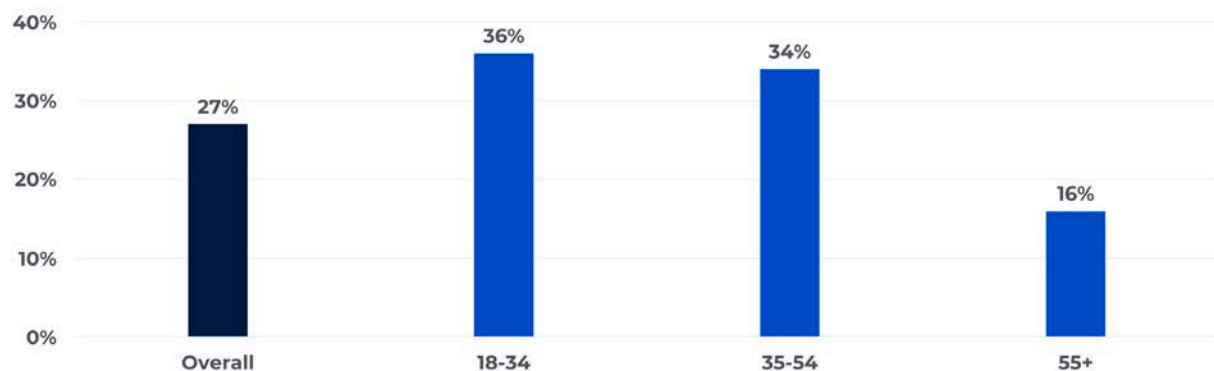
Opinions on Wi-Fi Experience



- Fiber subscribers report the highest satisfaction with Wi-Fi, and DSL and fixed wireless subscribers report the highest rate of problems with Wi-Fi.
- Half of fixed wireless subscribers say they have Wi-Fi problems, or it is just outright unreliable.

Do you currently subscribe to a managed home Wi-Fi service? This allows your service provider to remotely troubleshoot and, if necessary, adjust your Wi-Fi router settings for optimal internet reliability and speed in your home. (n=667)
Note: Percentage represents those answering yes.

Managed Wi-Fi Penetration

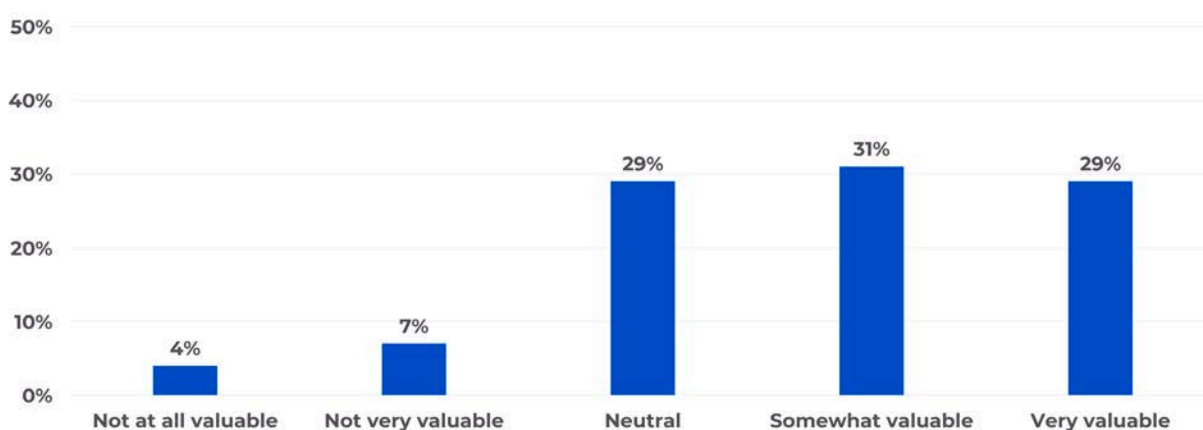


- Managed Wi-Fi penetration comes in at 27% overall.
- Penetration is significantly lower (16%) for the older demographic of 55 and above.

Wi-Fi Usage — Continued

How would you describe the value of this service in improving the quality of your Internet? (n=181)

Value of Managed Wi-Fi



- Rural consumers are finding value in managed Wi-Fi, with 60% of managed Wi-Fi subscribers indicating it's somewhat or very valuable.
- Only 11% rate it not valuable.

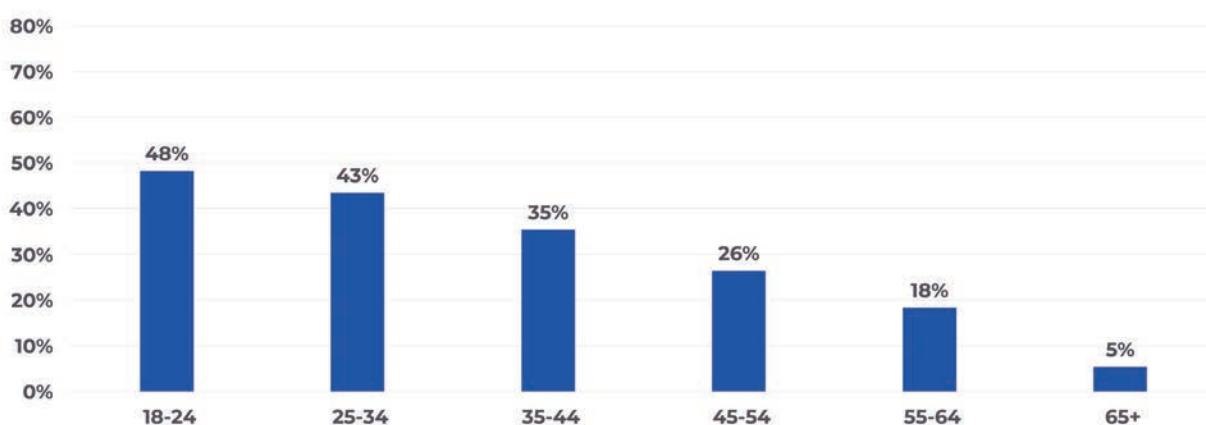
Pandemic Impact

The pandemic impacted just about every aspect of life, including video and internet usage. The following data reveals some of that impact on rural consumers.

Does someone in your household work from home who did not prior to the pandemic? (n=726)

Note: Represents those answering yes.

Growth in Working From Home by Age

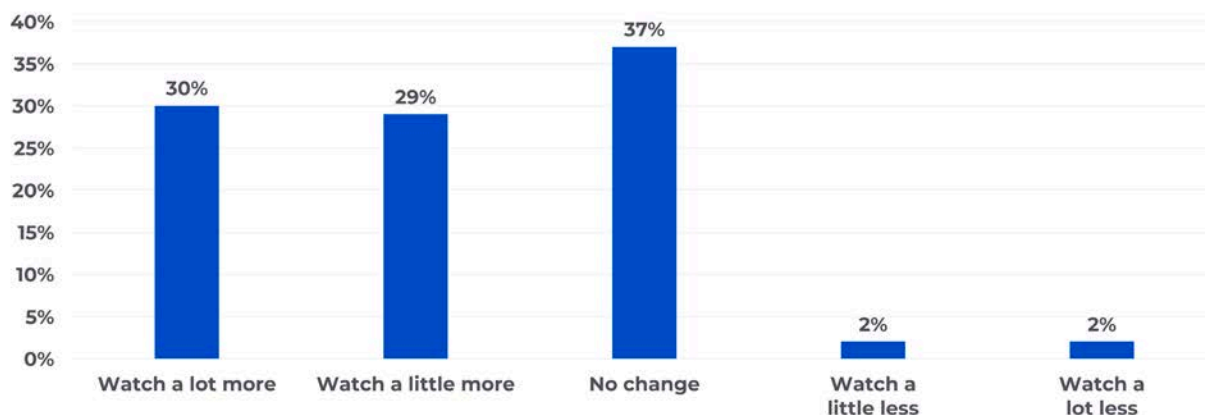


- For rural consumers, the younger you are, the more apt you are to have been working from home as a direct result of the pandemic.

Pandemic Impact — Continued

How has the pandemic affected your TV and video watching? (n=778)

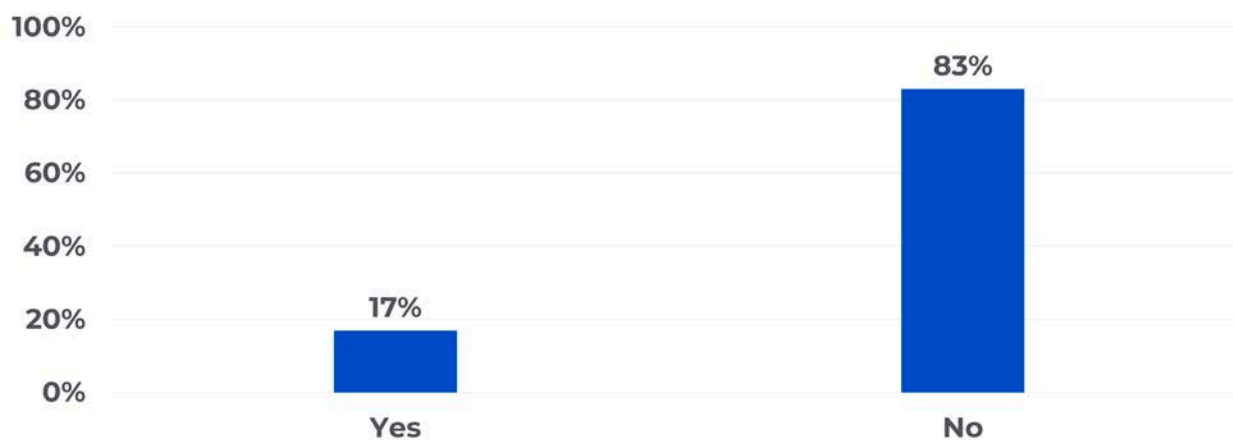
Pandemic Impact on Video Habits



- Close to 60% of rural consumers report watching more TV than before the pandemic.
- Almost a third (30%) report watching a lot more TV.

Has your household paid extra to increase your internet speed since the pandemic began? (n=715)

Increasing Internet Speeds During Pandemic



- Close to 1 in 5 rural subscribers (17%) reports upgrading to a higher, more expensive broadband tier during the pandemic.

About This Study

This research study was conducted by Pivot Group and sponsored by Innovative Systems. Research goals included determining TV, video, and broadband usage behaviors of U.S. rural consumers who subscribe to internet services. Over 800 residential rural consumers from across the entire U.S. participated in this study, providing a statistically significant representative sample of U.S. rural internet subscribers.

Methodology

- These findings are based on surveys collected in January and February 2021.
- Both an online panel and phone calling methodologies were used to sample rural residents across the country. A total of 807 surveys were collected, providing a margin of error of +/- 3.5%.
- The survey instruments were written by Pivot Group with input, collaboration, and additional questions provided by Innovative Systems

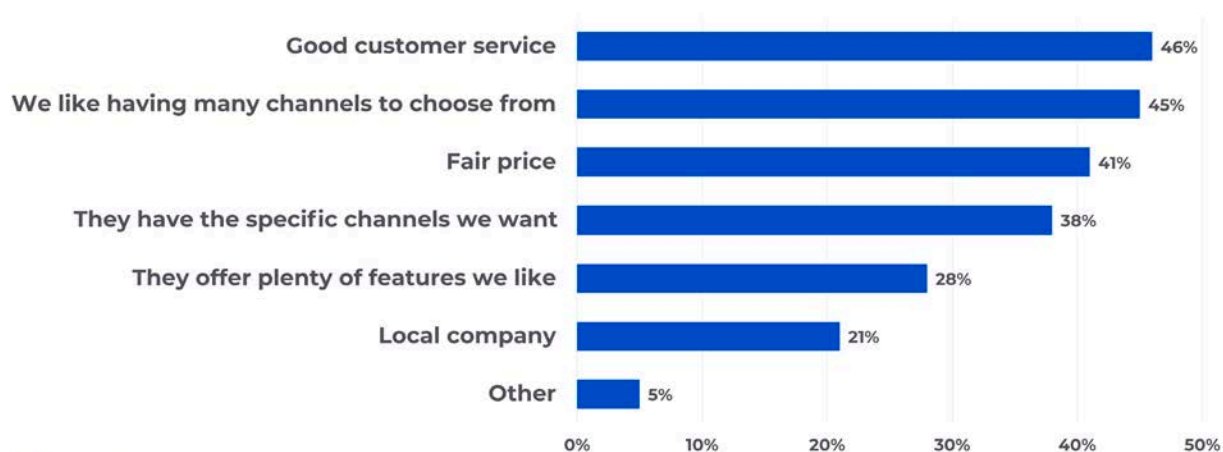
Appendix

Television Reception and Satisfaction

What has the greatest influence on your satisfaction with your TV provider? (n=333)

Note: Asked of those who gave 8, 9, or 10 on TV Satisfaction.

What's Driving Higher TV Satisfaction?



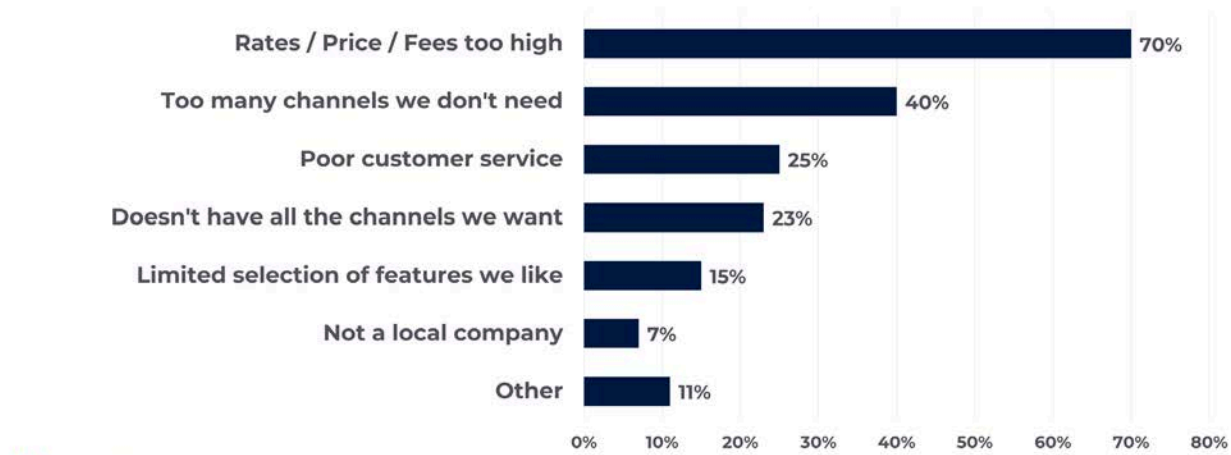
- Good customer service and good channel selection drives higher satisfaction with TV,
- Getting service from the local provider is less impactful in driving overall satisfaction.

Appendix: Television Reception and Satisfaction — Continued

What has the greatest influence on your satisfaction with your TV provider? (n=188)

Note: Asked of those who gave 7 or lower on TV Satisfaction.

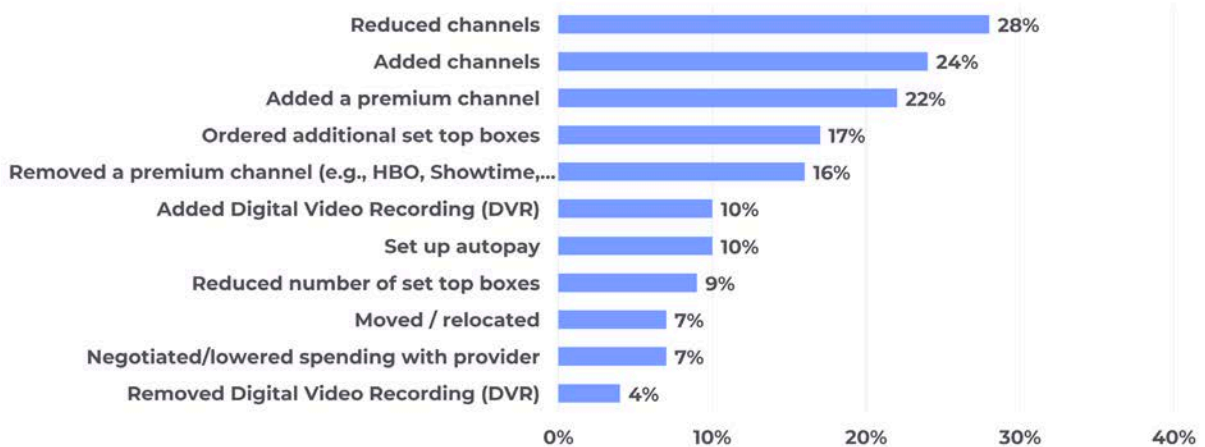
What's Driving Lower TV Satisfaction?



- Perceived high prices and too many channels we don't need are top drivers for TV dissatisfaction

What changes have you made to your TV service in the past 12 months? (n=165)

Changes to TV Service



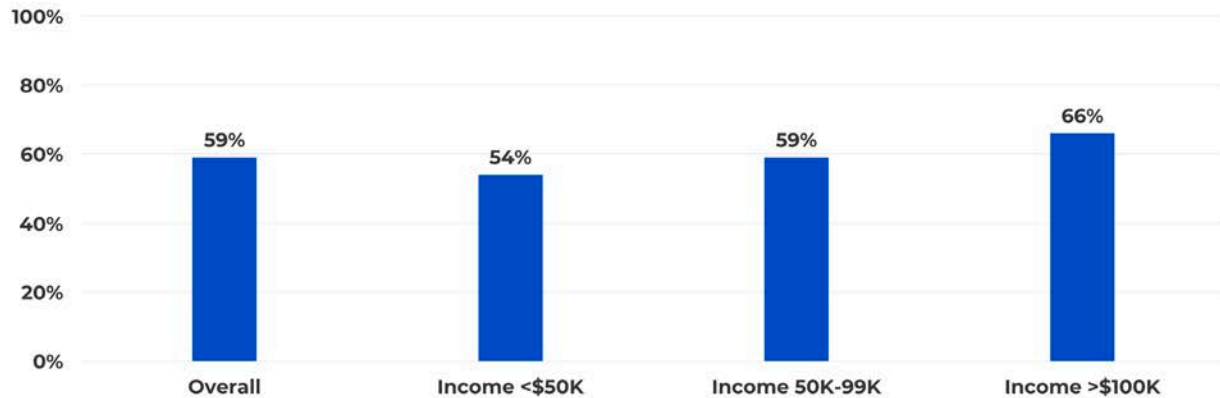
- Subscribers are quite active in tinkering with their channel line ups, with the reduction and addition of channels, including premium channels, making up 4 of the top 5 changes to TV service in the past 12 months
- Only 7% indicated they tried to negotiate for a lower rate

Appendix: Television Reception and Satisfaction — Continued

Do you currently have Digital Video Recording (DVR) or the ability to record TV programs? (n=500)

Note: Percentage indicates those answering yes.

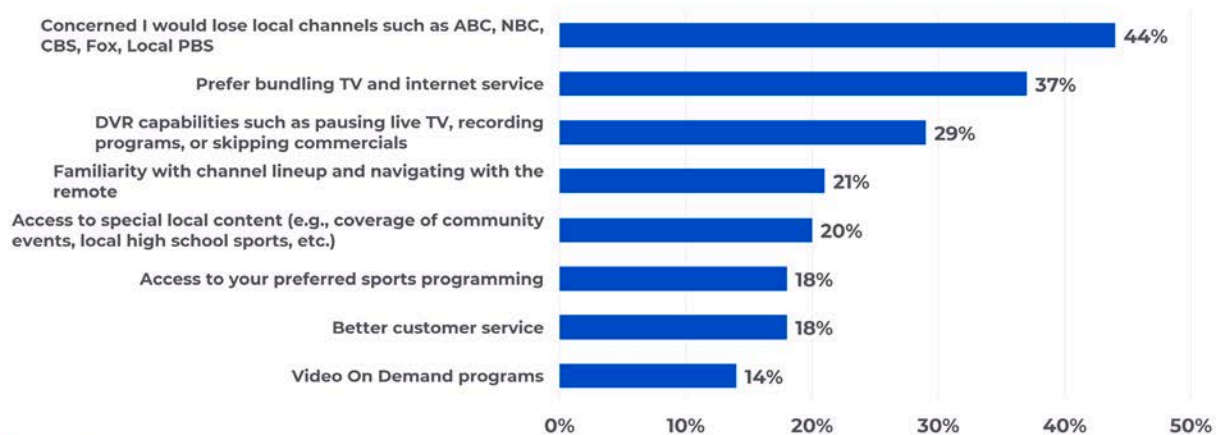
DVR Penetration



- DVR penetration for rural America comes in at 59%, and rises slightly for higher income households

What are the top reasons you prefer keeping your TV service instead of switching to streaming only? (n=153)

Top Reasons for Staying With Current TV Provider



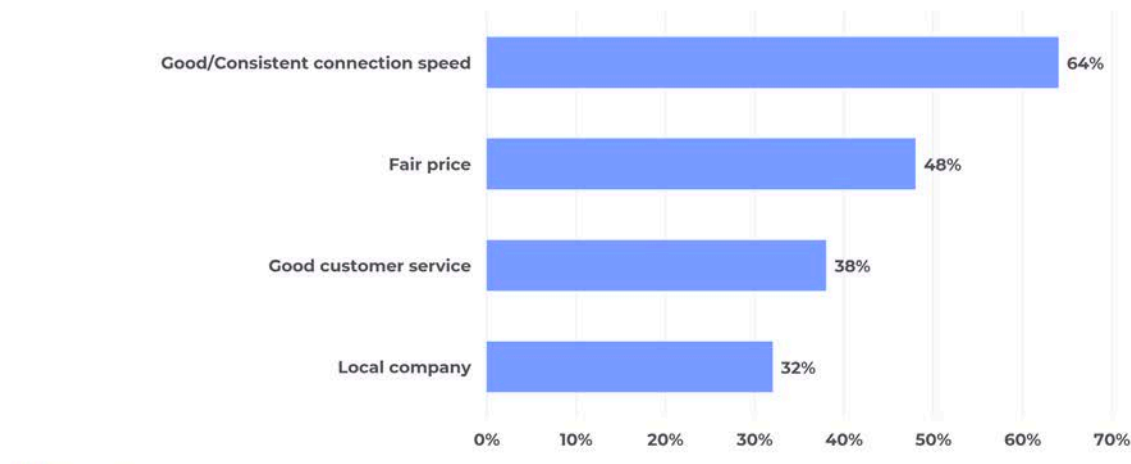
- Top reason at 44% was fear of losing local broadcast channels
- Bundling TV and Internet and the perceived value that brings was cited by 37%
- At 14%, access to Video on Demand programming was the least important reason for keeping pay-TV service over going streaming only

Appendix: Broadband Access and Satisfaction

What has the greatest influence on your satisfaction? (n=462)

Note: Asked of those who gave 8, 9, or 10 on Internet Satisfaction. List was provided and respondent could select as many as applied.

What Are the Drivers for High Internet Satisfaction?

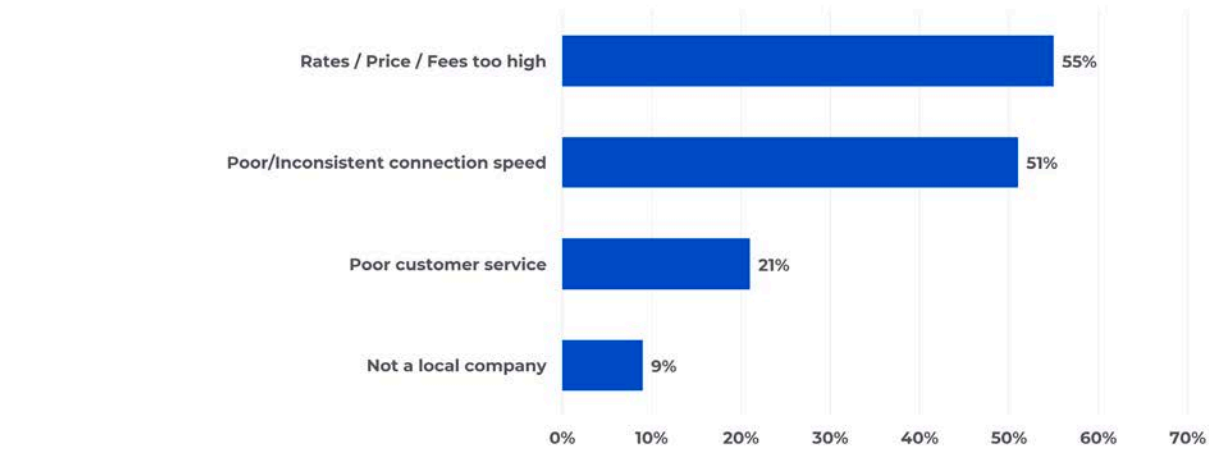


- Drivers for high satisfaction with Internet include a good consistent speed and a fair price

What keeps you from giving a higher rating? (n=270)

Note: Asked of those who gave 7 or lower on Internet Satisfaction. List was provided and respondent could select as many as applied.

What Are the Drivers for Low Internet Satisfaction?

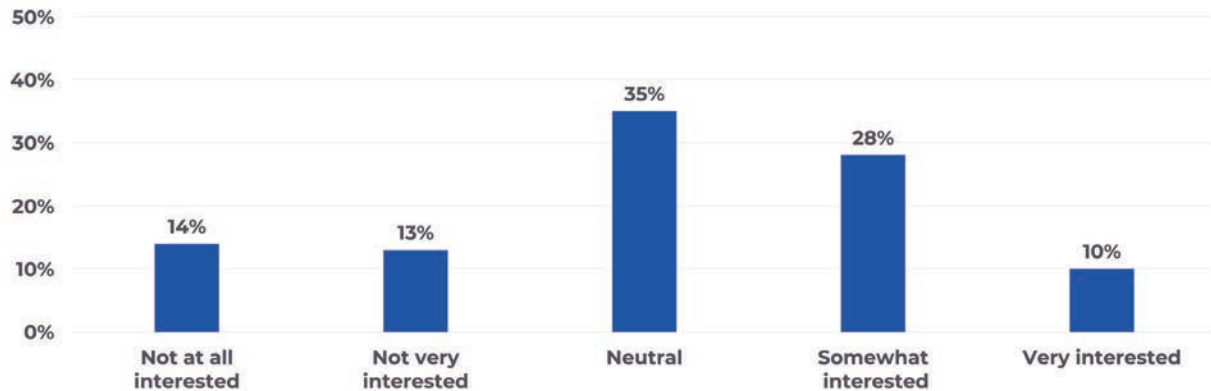


- Perceived high rates and slow inconsistent speeds are the primary drivers of dissatisfaction

Appendix: Wi-Fi Usage

Whether or not you have managed Wi-Fi service today, how interested would you be in a managed Wi-Fi service that provides unlimited tech support whenever you need to troubleshoot or set up new devices, or manage your Wi-Fi router? (n=735)

Interest in Managed Wi-Fi



- Over a third, or 38% of rural internet households indicated an interest in managed Wi-Fi.