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Changing Times: An Examination Changing Video Entertainment Sources and Cable TV Companies Communicating With Customers

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Project Approval Form

Candidate Chad Christenson has completed all the necessary master project requirements of the School of Media & Communication's Master of Arts program.

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Executive Summary

The debate of customers canceling their cable TV subscriptions and relying on a mix of free and subscription based streaming video providers for their video entertainment has been ongoing for several years. A combination of low cost alternative video sources, rising programming costs, and changing viewing habits are causing small cable TV companies to review their strategies for attracting new customers. This study focuses on two groups of consumers referred to as the cord-cutters and cord-nevers. The cord-cutters are consumers who had cable TV service and canceled, and the cord-nevers are consumers who have never had cable TV as their main video entertainment source. The size of these two groups is forecasted to grow in the coming years making it ever important for small cable TV companies to develop a strategy to understand, engage, and attract the cord-cutter and cord-never groups.

The purpose of this study is to analyze the literature from scholarly and industry sources to determine strategies small cable companies can use to advertise and attract cord-cutter and cord-never customers. Evidence-based quantitative and qualitative research was used to analyze what factors are leading customers to unsubscribe from cable TV service, or never subscribe to cable TV at all. This study will contribute to scholarly literature and provide industry practitioners with a better understanding of the size, viewing habits, and a model to attract the cord-cutter and cord-never groups.

DEDICATION

This paper is dedicated to my wife and children and many other family members whose support helped make this degree possible.

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I would like to thank my teachers and professors in the Strategic Communications program. Special thanks to Dr. Claudia Owens whose patience and guidance helped focus the topic and research of this article.

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Chapter One: Project Topic

Introduction

What company would not want to attract more customers? Research shows that in the cable TV industry, there is a potential to attract 17% of consumers in the United States who do not currently have video service (Barr, 2017). These consumers are a mix of customers the industry had and lost, and consumers who have never had service before. A cable TV company could make a significant positive impact on their bottom line if they are able to attract a fraction of these consumers.

Cord-cutters are entertainment consumers who no longer subscribe to traditional cable TV or satellite service as content sources to watch shows and movies. Halsey, Pfaff and Hendrickson (2015) in an article discuss that cord-cutters now make up over 13% of all consumers under age 35 (p. 179). However, Barr (2017) cites a more recent study conducted by the research firm GfK that discusses cord-cutters in more detail and places the average age of a cord-cutter at 42. Additionally, Barr (2017) discusses a second group called cord-nevers that have never subscribed to traditional pay TV services and are younger than cord-cutters with an average age of 34. The research that Barr (2017) presents discusses that these two groups account for 17% of U.S. consumers and have differing viewing habits and use several sources to obtain video entertainment, and include differing reasons for their viewing habit change. Some in the cord-cutting group state their viewing habit change is due to control expenses while some in the cord-never group had never had pay TV service and expressed a desire to subscribe to pay TV in the near future. For both national and local cable TV providers, the cord-cutters and cord-nevers are a relatively small, but important group to attract as these consumers do not currently have traditional video service. The cord-nevers are of particular interest to cable TV providers due to their expressed interest in subscribing to cable TV in the near future. Due to the timeliness of the study and distinctions made between the groups, this paper will focus on the GfK research presented by Barr (2017) when discussing cord-cutters and cord-nevers.

Traditionally people have received their video entertainment from their television in their home. For television, technology has progressed from linear TV (shows on a scheduled day, time and channel) in the home to video entertainment available on many screens (TV, computer or cellphone) that is on demand, both in and out of the home. Telecommunications industry experts and scholars have been attempting for years to determine if cord-cutting is a trend that will continue to drive down the cable TV and satellite subscribers base (Chulkov & Nizovtsev, 2015; Lafayette, 2017). This drastic change in consumer behavior has led to audience fragmentation which Schellner (2014) defines as "the distribution of audiences across content options or available channels" (p. 1). Audience fragmentation from traditional video entertainment delivery methods (broadcast, cable and satellite TV) to online delivery methods (Netflix, Hulu) has made reaching cord-cutters and cord-nevers more difficult in several ways. First, fragmentation in the cord-cutter and cord-never audience includes watching their video entertainment on services that are a mix of commercial free, such as Netflix, or watching on commercial services that offer mostly national commercial advertisements (Hulu). Second the lack of availability of local video commercial insertion makes the group of cord-cutters and cord-nevers difficult to reach for small cable providers. Many of the small cable providers operate in small urban markets and rural areas and do not require the reach of national commercial advertisements.

Statement of Problem

Consumers are increasingly switching to online video entertainment (Hulu, Netflix, Amazon, PlayStation Vue, YouTube) delivery methods, making traditional marketing methods less effective to reach the cord-cutter and cord-never audience (Burroughs, 2015; Chulkov & Nizovtsev, 2015; Holt, Steirer & Petruska 2016). The problem is, research has indicated, that the viewing habits of 17% of U.S. video consumers (cord-cutters and cord-nevers) are changing to video entertainment delivery methods that traditional television advertising is not effective in reaching this group. This paper will seek find solutions to this problem by identifying ways to reach this target audience of cord-cutters or cord-nevers, which is the 17% of U.S. consumers who do not subscribe to cable TV service.

The days of advertisers planning for a traditional video consumer to be in front of their television on a certain day and time (linear TV) to watch a scheduled show are slowly disappearing. As technological changes occur video consumers can now access video content differently than before (Chulkov & Nizovtsev, 2015). These different ways include viewing entertainment on demand, both in and out of their home on traditional devices such as a television or could include their computers or cellular phones. Mortland (2012) suggests people are spending more time with different types of media and devices, but there is still only 24 hours in a day, so they are using different types of media at the same time (p. 18). This media includes social media which Williamson (2016) suggests is becoming a viable alternative to TV in terms of available content as social media platforms add video content as well. For example, in 2017 the National Football League (NFL) and the social media platform Twitter announced a deal to deliver live NFL video content five days per week during the football season to Twitter users (National Football League, 2017).

Significance of the Problem

There are many factors driving consumers to switch video entertainment sources including seeking lower service costs, convenience (select time and place to watch), and desired content (available shows/programs) (Chulkov & Nizovtsev, 2015; Holt, Steirer & Petruska 2016). This change in consumer behavior has led to audience fragmentation. Schellner (2014) discusses that for businesses, fragmented audiences are much more difficult to identify and to choose the correct advertising mediums. This includes the ability to achieve desired levels of consumer reach and with the message frequency of how traditional communication strategy has worked in the past (p. 2-3). These alternatives for traditional pay TV video entertainment are a mix of subscription based (ad-free) and ad-driven services (Burroughs, 2015). This mix of entertainment choices/services with a fragmented audience makes reaching audiences more difficult for cable television providers (Burroughs, 2015; Schellner, 2014). In Schellner's (2014) article the researcher discusses the increase in quantity and variety of both video content and delivery methods available to consumers. The study discusses the increased number of available television channels for consumers to choose from and several alternatives to the traditional video viewing method (linear television) that includes digital video recorders (DVRs) that allow viewers to time-shift television shows. Schellner's (2014) study does not address cord-cutters or cord-nevers, but the study is relevant as it addresses audience fragmentation and the difficulty to advertise to consumers due to technological changes and expanding choices for video entertainment.

In addition to the number of available video content and technology changes, another reason for consumers changing video consumption habits is the price of pay TV for consumers. Several researchers have indicated that consumers are concerned with increasing prices that pay TV providers charge for access to video content (Barr, 2017; Chulkov & Nizovtsev, 2015; Halsey, Pfaff & Hendrickson, 2015; Holt, Steirer & Petruska 2016, Poggi, 2016). These pay TV providers include satellite companies, and both large and small cable operators. The satellite and cable TV providers, like consumers, are also concerned with the price they pay for access to programming as prices for content the pay TV companies distribute have more than doubled from 2006 to 2014 (Brodkin, 2015). Increased programming costs are more of a burden for small cable TV operators as many of the large pay TV providers have better negotiating power due to their size and the fact that they own many of the programming providers themselves. Brodkin (2015) discusses that this increase in programming fees has left small cable TV operators to increase prices charged to consumers.

Theoretical Background

To analyze the problems of developing approaches for communicating with cord-cutters and cord-nevers and to develop best practices for creating marketing strategies for this group, we must understand the circumstances that are leading the consumer to change. To help understand consumer motivations, it is helpful to view customers as stakeholders. Stakeholders are defined as groups or individuals who can affect objectives set by an organization (Laczniak & Murphy, 2012). Studies reviewed indicate that stakeholder theory can provide insight to helping business owners understand and aid in creating communication plans to reach changing consumers (Hillebrand, Driessen & Koll, 2015; Laczniak & Murphy, 2012). For example, researchers Laczniak and Murphy (2012) identify the importance of identifying customers (stakeholders), researching their expectations to form a long-term relationship rather than satisfying only the short-term needs of the customer.

Research Questions

1. As consumers of cable TV services become more fragmented by finding alternative video entertainment sources, what are the best evidence-based literature methods to advertise to and attract these customers?
2. What does the literature show for marketing strategies small cable operators should pursue in creating best practices, and to understand what factors might contribute to attracting cord-nevers to: 1) subscribe to cable TV or 2) use a cable TV subscription to complement streaming content?

Purpose of Study

The purpose of this project is to analyze literature to the find recommendations to the problem of advertising to consumers who shift their video entertainment sources. This project will also attempt to find best practices when developing marketing strategies to advertise with these cord-cutters and cord-nevers. Poggi (2016) lists that currently in the United States there are 16 million combined people who have canceled pay TV (cord-cutters) service or have never subscribed to a pay TV service (cord-nevers). The number identified by Poggi (2016) does not break out separate totals for cord-cutters from cord-nevers, but the total number of U.S. consumers is similar to the more detailed information presented by Barr (2017). In a recent study, Barr (2017) identifies that cord-cutters and cord-nevers are two separate groups that differ in several ways including age, income, and viewing habits. The study reports that cord-cutters have an average age of 42 and cord-nevers are younger with an average age of 34 (Barr, 2017). If the number of consumers changing the way they access their video entertainment continues to grow, this project could have significant future implications for small cable companies to attract the cord-cutters and cord-nevers.

Chapter Two: Literature Review

Introduction

This systematic review of the literature will analyze and discuss background information regarding the debated trend of cord-cutters and cord-nevers as hype or a trend for cable operators to strategically address in the future. Evidence-based literature regarding the reasons for video entertainment consumers to seek out alternative video services will also be reviewed.

To begin the search for evidence-based literature key words such as cable TV, and marketing were searched in the university library databases to locate sources from scholarly peer-reviewed literature, and gray material that includes scholarly dissertations, industry news articles and industry statistics. The industry's related literature used for this report includes telecommunications industry sources such as Fierce Cable and Multichannel News and marketing industry sources including Advertising Week and Ad Age. Telecommunications industry information will be used in this paper as the industry expert research concerning cord-cutters and cord-nevers is newer and more detailed than the scholarly research available. For both scholarly and industry information, careful considerations will be used when analyzing the writing to identify any bias the material may contain.

Background

In the late 1950s and early 1960s pioneers in the community antenna TV (CATV) service began placing antennas on mountain tops to get the best reception of broadcast TV signals and then selling subscriptions to access the signals to the communities in the valleys below (Parsons, 2008, p. 2). Over time the CATV industry became known as cable TV as entrepreneurs started CATV businesses across the United States. Cable TV has grown to be the dominant video entertainment distribution method with currently close to 45 million subscribers (Informitv, n.d.) in the United States (Informativ, n.d.). The amount of programming available has grown as well for cable TV distribution. In the beginning, cable TV re-transmitted the few broadcast network channels available and grew with technology advancements to hundreds of available channels (Parsons, 2008, p. 3). The viewing habits for many decades of pay TV viewers can be described as linear viewing where programmers scheduled shows for viewers to watch during pre-determined days and times. If a viewer missed a show they wanted to watch they had to wait for the programmer to rerun the episode of the show that the viewer missed. Over time technology evolved to help video viewers time-shift programming to help create more of an on demand viewing experience. Technology that helped cable TV viewers watch programming on their schedules includes video cassette recorders (VCR) introduced in the 1980s, and digital video recorders (DVR) introduced in the 2000s (Schellner, 2014, p. 1). These technology advancements helped cable TV viewers time shift programmers' linear schedules to watch video when it was more convenient for them on their home television. The latest technology for the industry is TV Everywhere service which gives cable TV subscribers with the proper credentials access to video content on their computers and mobile devices.

For this paper two important terms need to be defined, pay TV and cable TV. The traditional video entertainment distributors include cable TV, satellite, and telco companies which all distribute the same video entertainment programming, but each service has their own distinct delivery advantages and challenges. When referring to the telecommunications industry as a whole (cable, satellite, and telco) the term pay TV will be used. The term cable TV will be used in reference to the largest and oldest of the traditional video entertainment distributers that delivers service to millions of homes in the United States. This chapter will also differentiate large and small cable operators ultimately focusing on the latter and discussing key challenges small cable companies face.

Alternative Video Entertainment Sources

In 2008 Netflix became a disruptor in the video entertainment market. Netflix, a company that began by offering mail order DVD rentals, partnered with consumer electronics manufacturers to begin delivering on demand video that was delivered over an internet connection to a consumer's television or computer (Netflix, 2017). Online streaming video, also known as over-the-top, allows consumers to access many of the same programs distributed by traditional pay TV services (Burroughs, 2015; Easter, 2017). Researchers Chulkov & Nizovtsev (2015) discuss how consumers now have more options in accessing their video content than ever before (p. 30). Consumers using online streaming video services can access video content not only on a television, but also many other devices including computers, tablets, and cell phones. Streaming video service has proved to be very popular with consumers; in 8 short years Netflix has become the top online subscription video distributer growing to almost 50 million subscribers in 2016 (Netflix, n.d.). Easter (2017) reports that there are now more than 130 services that have started delivering video content online including Netflix, Hulu, HBO Now and Amazon Prime. Consumers have started to view online streaming video service as an alternative to traditional pay TV subscriptions as their primary video entertainment source. The consumers that have decided to cancel their pay TV subscriptions to use only streaming video services are referred to in the telecommunications industry as cord-cutters. Another segment of consumers has never signed up for pay TV and are referred to as the cord-nevers and have relied on both free and subscription online streaming video services for their video entertainment. In separate surveys during 2015 and 2016 from Pew Research Center (n.d.) and TiVo (Lafayette, 2016;

VideoInk, n.d.) 3,100 adults age 18 and over were asked reasons why they did not have pay TV service; the common answers were pay TV was “too expensive” (71% - 82.9%) and they have access to video they want through online streaming services (48.3% - 64%). This change in consumers’ viewing has led to the ongoing debate in the telecommunications industry concerning how many consumers are switching to streaming video services and why they are switching to services like Netflix, Hulu and Amazon Prime. These alternative video sources are a mix of subscription based (ad-free) and ad-driven services (Burroughs, 2015), which makes reaching these consumers with traditional TV commercials more difficult, and is an area this literature review will address.

Consumer Programming Costs

One of the reasons cited by consumers for unsubscribing from traditional pay TV service is the cost. A 2015 survey conducted by Pew Research Center (n.d.) asked adults age 18 and over the reasons for not currently having a cable or satellite TV subscription. In this survey of reasons for not having pay TV service 71% of participants indicated that cable and satellite TV service was too expensive. In a 2016 survey conducted by TiVo and DigitalSmiths (VideoInk, n.d.) of what influenced consumers to cancel their pay TV service 80% of respondents indicated the service was too expensive. These sources from these two studies are from well know research companies and show multiple years the cost of cable TV service continues to be an issue for cord-cutting and cord-nevers. The literature in this section can be used to help answer the research question regarding factors that could contribute to attracting the cord-cutter and cord-never group to subscribe to cable TV service in the future.

Pay TV Industry Programming Costs

Price increases related to programming (video content) are an ongoing issue for companies in the pay TV industry (Brodkin, 2015; Cable Bills, 2015; Frankel, 2016). As mentioned earlier in this chapter, cable TV is a distributer of content evolving from originally placing antennas on mountain tops and re-transmitting the broadcast signal to the valleys below where reception was poor. Cable TV companies do not create the programs and shows viewers watch, the companies purchase the rights to distribute the programs and the costs for this content has consistently increased over the last several years. Information provided by the U.S. Census Bureau (n.d.) estimates that overall programming costs for cable TV companies has increased around 65% from $29 billion annually in 2007 to $47.9 billion annually in 2015. This information from the literature establishes the significant increase in programming cost cable TV companies have faced over the last 8 years.

In a 2015 Advertising Age article a spokesman for Time Warner cable (now named Spectrum), the second largest cable TV provider in the United States, programming costs for the company to carry sports networks had increased 116% between 2008 and 2015 (Cable Bills, 2015). The programming costs are part of a cycle as, the program/content creators spend more money to develop new video content, costs are passed to the cable TV companies, followed by cable TV companies passing some of the increased costs to their subscribers (Brodkin, 2015; Cable Bills, 2015; Easter, 2017; Frankel, 2016). One of the most popular sports programmers is ESPN which, reported by a recent Fierce Cable (Frankel, 2016) article, will cost cable TV companies on average $7.20 per subscriber, per month. The monthly cost for ESPN is interesting as Lafayette (2016) reported, on a 2016 survey of 3,100 video viewers by TiVo/Digitalsmiths, when asked what they were willing to pay for ESPN the viewers response was $1.95 per month.

The difference between what cost viewers are willing to pay for programming and the cost to cable TV companies is a possible area of future study for researchers.

This increased cost by ESPN for the channels programming to cable TV companies are reported (Frankel, 2016) to cover part of ESPNs $1.9 billion contract rights to air the National Football League's (NFL) Monday Night Football games. Additionally, the NFL has contracts with three other programmers to air NFL games with the contracts worth over $1 billion per programmer, per NFL season (CBS – $1.4 billion per season, Fox - $1.1 billion per season, NBCUniversal - $1.2 billion per season) (Frankel, 2016). The NFL is one example of many popular sports leagues that programmers purchase the rights to show the league's games and the costs associated with the contract. These popular sports include the National Basketball Association (NBA), National Hockey League (NHL), Major League Baseball (MLB), National Basketball Association (NBA), National Collegiate Athletic Association (NCAA), National Association of Stock Car Auto Racing (NASCAR), and the Olympic Games. Programming cost increases are not limited to sports; many other types of programming also face cost increases including scripted shows (ex. dramas and comedies) and local newscasts. The literature reviewed in this section shows the cost challenges cable TV operators face that could lead subscribers to seek alternative solutions such as streaming video services.

Impact on Small Cable Companies

While the large pay TV companies (Comcast, Spectrum, DirecTV, and Dish Network) get the most attention, there are several hundred smaller cable companies that provide video service to millions of American homes. The top four pay TV companies, 2 cable TV and 2 satellite TV, have over 70 million subscribers combined and are multiple times larger than small cable TV companies which vary in size from a few 100,000 subscribers to only 1,000 subscribers

(Informitiv, n.d.; Cable Companies, 2017). According to the American Cable Association (ACA, 2017), a group that represents and lobbies for several hundred small cable TV operators, the small cable operators provide service to nearly 7 million subscribers in small urban markets and rural areas across the United States.

Programming cost increases are a cable TV industry issue that arguably impacts small cable TV companies more than larger competitors. As previously mentioned one aspect influencing the cost of cable TV is the cost programmers charge cable TV companies to air their channels or programming. The issue for small cable operators is “the big cable companies also own a lot of TV networks, pitting them against small cable companies who have to buy programming from them” (Brodkin, 2015). Two large pay TV companies that are vertically integrated and own both pay TV distribution and programming are Comcast who owns NBCUniversal (NBC, USA Network, CNBC, MSNBC, NBC Sports Network, Bravo, The Weather Channel, Telemundo, and Universal Pictures) and AT&T who is in the process of merging with programming company, Time Warner (HBO, TNT, CNN, TBS, Cartoon Network, and Warner Bros. Entertainment) (Burroughs, 2015; NBCUniversal, 2017; Time Warner Inc., 2017). Brodkin (2015), in an article published by the technology news website Ars Technica, provides a quote from the ACA that describes the situation well:

> While video programming costs more than doubled between 2006 and 2014, "providers have not been able to pass along to their customers all of the increases in programming fees" because of competition from other MVPDs [multichannel video programming distributors] and online providers like Netflix and Amazon Prime, the ACA said (para. 8).

Small cable TV companies are faced with negotiating to keep programming costs lower and subscribers leaving for streaming video providers when customers determine the service cost is too high. The literature in this section shows evidence that rising costs for both cable TV companies and consumers is one of the reasons for video consumers to change their viewing habits and seek alternative video entertainment providers.

Target Audience

Many scholarly and industry articles have been written about cord-cutters, a group of consumers that have chosen to cancel pay TV services and seek alternative sources for their video entertainment. Much of the literature (Barr, 2017; Chulkov & Nizovtsev, 2015; Halsey, Pfaff & Hendrickson, 2015; Holt, Steirer & Petruska 2016, Poggi, 2016) on cord-cutters describes that these consumers are drawn to cord-cutting to 1) reduce video subscription costs, 2) choose only video content that they find relevant to them, and 3) controlling when and where to watch video (Burroughs, 2015; Pew Research Center, n.d.). Research (Baar, 2017; Burroughs, 2015, p. 3; Poggi, 2016) also refers to a second group of video consumers that have never had cable TV service, named the cord-nevers.

This section will review the cord-cutters and cord-nevers as two distinct groups and identify characteristics of each group. The purpose of reviewing these groups, which currently represent 17% of U.S. consumers, is to better understand who they are and why they cancel cable TV service or have never had cable TV service. By not subscribing to cable TV service and using a mix of alternative online video providers it is difficult for cable TV companies to reach this fragmented audience (cord-cutters and cord-nevers) with traditional television commercials. A 2015 study conducted by Forrester Research of 32,000 adults over the age of 18 predicts that cord-cutters and cord-nevers could grow by the year 2025 (Adweek, n.d.). In a breakdown of the Forrester Research (Adweek, n.d.) study cord-cutters are predicted to increase by 5% during the 10-year span (from 2015 to 2025) and the cord-never group is predicted to increase by 10% over the same time period. This study lists the average age of both groups as 18 to 31 for the 2015 and 2025 statistics and does not identify if the 2015 consumers will move to a different group during the 10 years (Adweek, n.d.). The Forrester study, although useful to show the potential for cord-cutters and cord-nevers to grow larger, does not indicate why there is potential growth in these segments.

A 2016 study presented by the Statistic Brain Research Institute breaks down four age groups by their subscription to pay TV or streaming video service. In research presented by Statistic Brain (n.d.) that combines data from several sources including the U.S. Census Bureau, Harris Interactive, and International Strategy and Investment reports that of consumers ages 18-36, 46% subscribed to Netflix in 2016. The next highest group to subscribe to Netflix was 37-48 year olds (31%), followed by 49-67 year olds (21%) and 68+ year olds (13%). The research (Statistic Brain, n.d.) does not distinguish what portion of these consumers fall in to the cord-cutter or cord-never groups. The Statistic Brain (n.d.) research also presented a breakdown of cable TV subscribers by age with 18-36 year olds having the lowest rate (46%) of cable TV subscribers and the subscription rate rising with age, 37-48 year olds (48%), 49-67 year olds (55%) and 68+ year olds (63%). This study's data is useful for showing an age group distribution over several pay TV and streaming video services and the likelihood of the younger age groups to have a subscription to a streaming service.

As discussed earlier in chapter one, Baar (2017) presents recent data from the research firm GfK that provides detailed characteristics of both the cord-cutter and cord-never groups. This evidence-based study provides detailed information for cable companies to better understand these consumers that have become fragmented from the cable TV universe. The GfK research shows that the cord-cutter group account for 8% of the U.S. population while the cord-never group is slightly larger representing 9% of the U.S. population. The 1 percentage point difference in size between these two groups, based on the size of the U.S. population, represents that the cord-never groups is larger by millions of people compared to the cord-cutter group. The GfK (2017) research also shows that cord-cutters have an average age of 42 years old which is 8 years older than the cord-never average age of 34. The cord-never group also has a distinct age divide inside the group with 62% of the group being younger and having different viewing habits than older sections of the cord-never group (Baar, 2017). The cord-cutter group has a higher average household income ($52,000) compared to the cord-never group ($41,000). The reasons given by these groups for not having cable TV service is price related with, the cord-cutters wanting to save money while the cord-nevers did not view cable TV as the "best use" of their money (GfK, 2017).

Baar (2017) discusses that the two groups have found similar alternatives to cable TV service by using Netflix, YouTube, and Amazon for video entertainment. The cord-cutter group prefers Netflix as their top alternative to cable TV which represents a problem for reaching this group as Netflix is an ad-free subscription service, meaning no commercial advertisements. The GfK (2017) research shows the cord-never group prefers the short form video YouTube offers. The advantage for small cable operators to reach the cord-never is group that YouTube is an advertising supported platform that offers advertisement delivery based on a user's geographic location.

An important aspect to understanding the cord-cutters and cord-nevers is if they have any intention to subscribe to cable TV service in the future. For both large and small cable operators, it is important to know if this group of consumers is interested in cable TV service or open to the potential to subscribe to a certain level of cable TV in addition to a streaming service. The GfK

(2017) study asked cord-cutters and cord-nevers about their satisfaction level with their alternative to pay TV and the results showed a mix of answers. Half of the cord-cutter group responded that they were satisfied with the alternative service with 11% stating that they regretted cutting-the-cord (Baar, 2017). The cord-never group responded that 60% of the group was satisfied with their current video content situation. Additionally, 22% of the nevers responded that they were interested in subscribing to cable TV in the next 6 months with the reason for wanting to subscribe to cable TV service is now they could afford the service (Baar, 2017). The GfK (2017) study indicated that many of the cord-nevers looking to subscribe to cable TV service were Millennials (age 18-34). This section of the chapter literature review presented information to show the diversity of the cord-cutter and cord-never groups and ways this fragmented audience watches their video entertainment. The information reviewed in this section is an important segue in to the next portion of this paper that focuses on how small cable operators can reach these groups.

Advertising Methods

Knowing your audience is one of the most important parts of knowing where to spend your advertising budget (Borhani, 2012, p. 36). As discussed in chapter one the cord-cutters and cord-nevers are consumers who have sought out alternative video entertainment delivery methods and are unlikely to watch traditional linear television. The cutters and the nevers are considered a fragmented audience as these consumers watch their video entertainment using a mix of several ad-free and ad-supported services (Burroughs, 2015; Schellner, 2014). In order to reach these fragmented cord-cutters and cord-nevers, this section will use the target audience data from the previous section in order to find the methods to reach these consumers.

To focus the literature review for this advertising section, the paper will focus on the cord-never group as the target audience to advertise to. The first reason for selecting the cord-nevers group is their size and the projection that the group could grow in the future (Adweek, n.d.). Second, research from GfK (2017) shows that 22% of this group is interested in subscribing to cable TV service in the near future with a large amount of this group being Millennials. Tingley (2015) discusses that the generation know as Millennials (age 18-34) is the second largest generation group in the U.S with approximately 75 million consumers (p. 2). The advertising methods section will continue to use the research by GfK (2017) and Baar (2017) presented in the target audience section of this paper.

With the target audience focused and defined, some best approaches for small cable TV companies to advertise to the audience must be addressed. The literature has established that the cord-never group is fragmented from traditional linear TV by a growing number of streaming video alternatives that are available (Burroughs, 2015; Schellner, 2014). The traditional linear TV method of selecting a time, day, channel, and show to run a commercial will not be effective if a cable TV company wanted to attract this group. Nielsen Research (n.d.) in 2015 reported the number of hours Millennials, which make up the target audience, spend using the internet and using smartphone apps. It is reported (Nielsen Research, n.d.) that in 2015 Millennials used the internet on average 2,533 minutes (42+ hours) per month and additionally spent a greater amount of time with smartphone apps (3,471 minutes or 57+ hours) per month. During this time spent using the internet and smartphone apps the National Opinion Research Center (Wall Street Journal, n.d.) reports the top activities for this group include checking/sending email (72%), keeping up with friends (71%), and streaming music, TV or movies (68%). With this large amount of time spent on the internet by the target audience it is important that the advertising approach that is developed include technology and social networks. Constantinides (2014) discusses:

> For marketing strategists, the message is simple: surviving in the age of the empowered customer requires less dependence on traditional mass-market tactics; understanding the role of technology is shaping the marketplace and more importantly engaging the Social Media as part of the marketing toolbox becomes a strategic imperative (p. 42).

In a study of top social media networks popular with Millennials in 2016, MarketingCharts (n.d.) presents that Facebook and Instagram are the most popular platforms. The MarketingCharts (n.d.) showed that Facebook was more popular with older Millennials (ages 30-34) when compared to their slightly younger cohorts with 41% of 25-29 year olds and 36% of 18-24 year olds stating Facebook was the most popular. Second on the most popular social media platform for Millennials was Instagram. The Millennials flipped ratings for Instagram as 24% of the younger (18-24 year olds) rating the platform as the most popular compared to 17% of 25-49 year olds and 13% of 30-34 year olds (MarketingCharts, n.d.). Other social media platforms also used by Millennials including LinkedIn, Pinterest, Snapchat, and Twitter. The MarketingCharts (n.d.) data indicates these other platforms are not as popular as Facebook and Instagram. Facebook, one of the most established social media platforms, reached an average over 225 million users per month in 2016 (Facebook, n.d.) with 35.6% (comScore, n.d.) of the users being Millennials (ages 18-34). Instagram is a newer social media platform that is owned by Facebook, is popular with the target audience and has less monthly users (5.6 million active users per month) in 2016, but is forecasted to gain in popularity in the future (eMarketer, n.d.). The literature indicates that using the popular social media networks, Facebook and Instagram, small cable TV companies have the opportunity to reach the cord-nevers who are difficult to reach through traditional television commercials.

Earlier in this section research by Nielsen Research (Wall Street Journal, n.d.) was presented which discussed the cord-nevers' heavy use of the internet and smartphone apps. The combined use of internet and smartphone apps among the target audience totals nearly 100 hours per month (Nielsen Research, n.d.). In a 2015 study presented by Deloitte, it is shown that Millennials do not stop using the internet while watching TV, with only 5% answering they do "nothing else" while watching TV (Deloitte, n.d.). The top activities for Millennials while watching TV include internet browsing (52%), using a social network (48%), and reading their email (44%) (Deloitte, n.d.). Information from scholarly and industry literature, in this section review the habits of the group to aid in helping to answer the paper's research question related to forming marketing approaches to reach the fragmented audience of cord-nevers.

Theoretical Framework

To help make sense of the complex relationship between cable TV companies, programmers, current customers and potential customers (cord-cutters and cord-nevers), a theoretical framework needs to be applied. This paper will review and apply stakeholder theory as a way to aid cable TV companies in understanding circumstances behind the cord-cutter and cord-never movement. Once a better understanding of the situation has been reached, cable TV companies can use the information to adapt their products, or their message, to better communicate the value of their service to the cord-cutter and cord-never groups.

Stakeholder theory uses a strategic approach to present a graphical model to display complex relationships between "groups of actors in and around the firm" (Fassin, 2009, p. 114).

Laczniak and Murphy (2012) refer to the diagram used for stakeholder theory as the "hub-and-spoke" diagram where, typically, a company is placed in the center with separate circles around the center representing stakeholders who influence the company (p. 285). Fassin (2009) discusses the stakeholder model that Edward Freeman developed included "shareholders/financiers, customers, suppliers, and employees", and the list could expand to additional stakeholders if needed (p. 115). Defining which groups are seen as stakeholders to a company is an important aspect of this theoretical framework. Several researchers (Fassin, 2009; Hillebrand, Driessen & Kroll, 2015; Laczniak & Murphy, 2012) state that the common definition of a stakeholder presented in the literature are those who can affect or can be affected by the firm. Once identified the stakeholders are placed in an oval on the stakeholder theory diagram around a company to show a two-way interdependence between the company and various stakeholders (Fassin, 2014, p. 114). The stakeholder theory framework relates to this project to show the importance of small cable companies identifying and managing the relationships between their various stakeholders to create value for the different groups.

An article by Hillebrand, Driessen and Kroll (2015) discusses using the stakeholder model for marketing. The authors argue in the article that customer relationships with a company may be influenced by other stakeholders (Hillebrand, Driessen & Kroll, 2015, p. 412). In relation to this project, by using stakeholder theory a small cable company can create a diagram of stakeholders to understand the influence stakeholders have on the company. The article discusses how stakeholders have different backgrounds and expectations and how it is important for a company's success to fully understand what a stakeholder group expects (Hillebrand, Driessen & Kroll, 2015, p. 417).

Summary

This literature review showcased the issues currently being faced by cable TV companies. These issues include new technology creating competition for video entertainment customers and customers themselves changing viewing habits for the video they watch. The literature showed the importance for small cable TV operators to identify challenges they face and show the potential of adding new subscribers if new approaches to reach the cord-cutters and cord-nevers are developed. By reviewing literature and discussing the habits of the target audience the information gathered can be used to help establish answers to the research question of approaches to reach the cord-never group. Literature discussing stakeholder theory as the theoretical model presents the possibility of creating a conceptual model small cable TV companies can use to help visually explain the complex situation at work among the various groups in the paper.

The next chapter will discuss the conceptual model for the paper. This model gives cable TV companies a way to identify and model stakeholders that influence the company. The visual model can be used to help answer the paper's research questions regarding factors that can aid in attracting cord-cutters and cord-nevers to become customers.

Chapter Three: Conceptual Model

Introduction

This chapter will present the research found in the literature review in graphical form which will map out the complex relationships between the various stakeholder groups. The components of figure 3.1 will map the connection and influences between cable TV companies, the cord-cutter and cord-never groups, and programmers. The components of figure 3.2 will visualize the literature presented on methods for developing best marketing practices to reach the cord-never group.

Assumptions

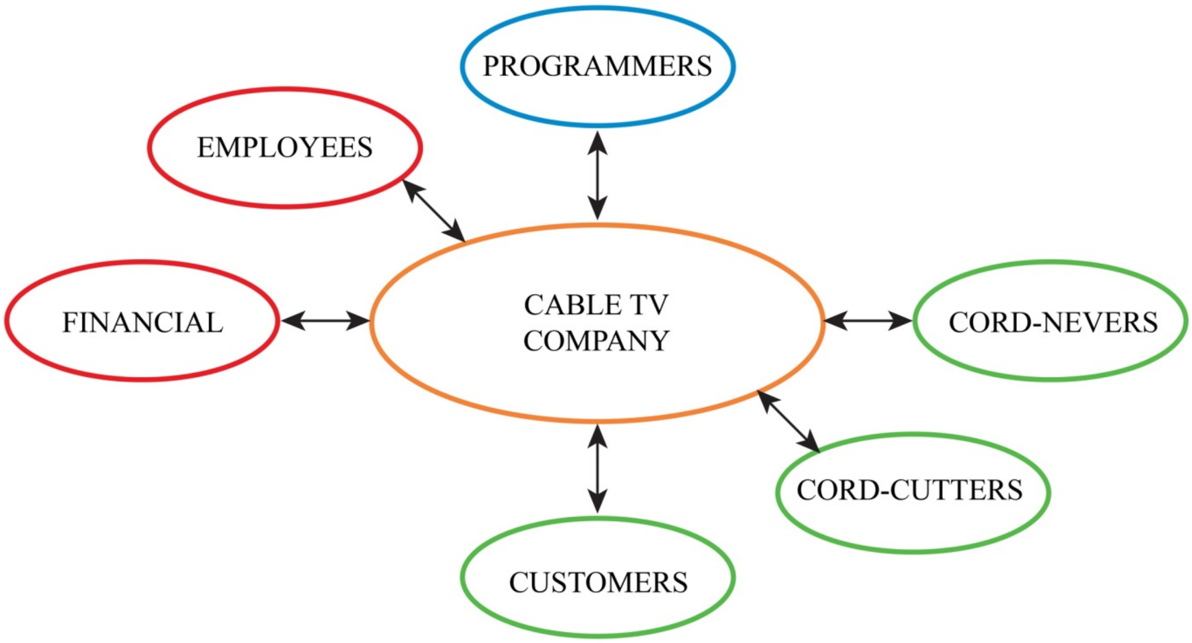
Price and access to video content have been two of the top issues that cord-cutters and cord-nevers report for leaving cable TV companies for alternative sources. This chapter will build on the following assumptions:

1) That programming costs for cable TV companies will continue to rise.
2) Cord-cutters and cord-nevers will continue to seek less expensive video alternatives.
3) The cord-cutter and cord-never groups will continue to grow in members.

Components of Conceptual Model

The ovals in figure 3.1 depict the cable TV company in the center surrounded by the stakeholders that influence the decisions the company makes. The literature defined a stakeholder for a company as those that affect or can be affected by the company (Fassin, 2009; Hillebrand, Driessen & Kroll, 2015; Laczniak & Murphy, 2012).

FIGURE 3.1 CABLE COMPANY STAKEHOLDERS & INFLUENCERS



Current Customer Stakeholders

Two growing issues small cable TV companies face are rising costs from video entertainment programmers and online video streaming services. The U.S. Census Bureau (n.d.) reported programming costs for cable TV companies have risen 65% ($29 billion per year to 47.9 billion per year) from 2007 to 2015. The increase in cost to cable TV companies has also resulted in increased costs for cable TV customers. In a 2016 study of customers without cable TV service, by TiVo and DigitalSmiths, 80% of respondents indicated that cable TV was “too expensive” (VideoInk, n.d.). Cable TV companies need to find a solution to manage rising programmer costs to both retain current customers and dissuade customers from joining the cord-cutter group.

Cord-Cutter Stakeholders

With the introduction of alternative services to cable TV that provide video delivered over the internet such as Netflix, Hulu, HBO Now, and Amazon Prime consumers now have more choices than ever before (Chulkov & Nizovtsev, 2015). The streaming alternatives deliver similar programming to cable TV, but at a cheaper price. One of the most popular streaming providers, Netflix, began delivering video online in 2008 and has grown to 50 million subscribers in 2016 (Netflix, n.d.). Easter (2017) discusses in a recent L.A. Times article that, individually, the streaming services are far less expensive than cable TV, but if a consumer subscribed to multiple streaming services to access content, the costs add up quickly. The cord-cutter group now represents 8% of the U.S. population which small cable TV companies should evaluate ways to re-attract this stakeholder group (Baar, 2017).

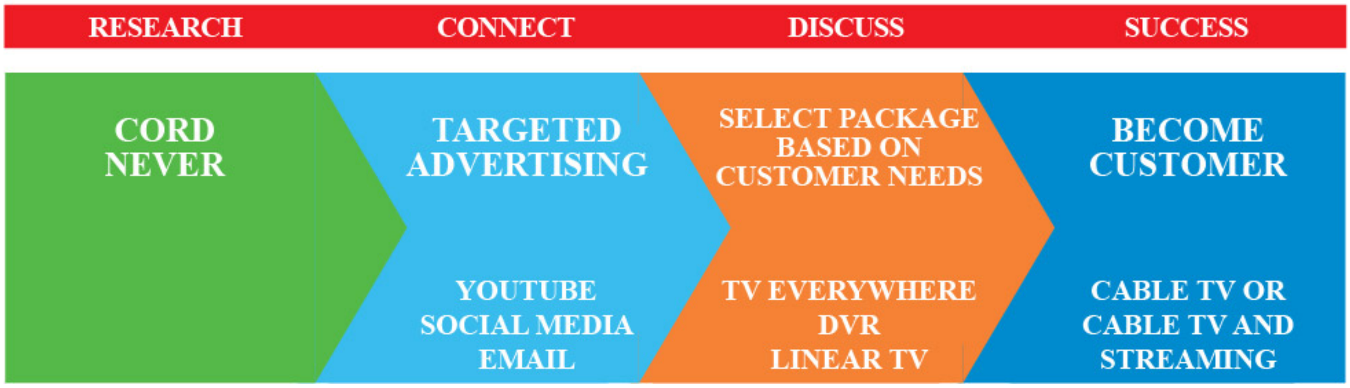
Cord-Never Stakeholders

Baar (2017) discussed research from GfK that shows this group primarily watches streaming video on YouTube, and from streaming providers Netflix and Amazon Prime. As the label describes the cord-nevers have never had cable TV service and they represent 9% (Baar, 2017) of the U.S. population. Similar to the cord-cutter stakeholder group, the cord-never group is concerned with the cost of cable TV service. Gfk (2017) presents research that indicated a small difference in cost reasons between the groups as cord-cutters want to “keep costs down” while the cord-never group lists cable TV as “not the best way to spend their money”. Perhaps the reason for this small difference in the two cost reasons is the cord-never group is on average 8 years younger and has a smaller average household income than the cord-cutter group (Baar, 2017). Research from GfK (2017) showed that a significant portion of this stakeholder group (22%) is interested in subscribing to cable TV service in the next 6 months. By evaluating the needs and interests of this stakeholder group and matching their needs to the right level of cable TV service, small cable TV companies have an opportunity to add this group to the customer stakeholder group.

Programmer Stakeholders

Programmers and the increasing costs they charge to cable TV companies to distribute video programming/content is a major issue facing all cable TV companies. Brodkin (2015) discussed that the programming costs are part of a cycle of programmers spending more to create video content and sign licensing agreements, then pass some of the cost on to cable TV companies who pass some of the costs to cable TV subscribers (Easter, 2017). The U.S. Census Bureau (n.d.) estimated overall programming costs for cable TV companies has increased by 65% over an eight-year period (2007-1015) resulting in cable TV companies paying billions of dollars more per year for video content. An example included in this 2007-2015-time period, per a Time Warner executive (now called Spectrum), the price to carry sports networks has increased 116% (Cable Bills, 2015). Complicating the programming cost issue for cable TV companies is that the two largest pay TV providers in the U.S. and a handful of other programmers own many of the most popular programming (Brodkin, 2015).

FIGURE 3.2 CABLE COMPANY CORD-NEVER MARKETING APPROACHES



Borhani (2012) pointed out that knowing your audience is one of the most important parts of deciding where to spend your advertising budget (p. 36). Figure 3.2 introduces methods that small cable TV operators can use to attract the cord-never segment discussed in this paper.

Cord-Never Research

The first step of figure 3.2 is the small cable TV companies knowing the target audience first, by learning about the potential size, age, income, and media habits of the target audience the companies can better target their advertising campaign. This section is based on the 2017 research from GfK regarding the cord-cutter and cord-never groups. Barr (2017) and GfK (2017) presented detailed data regarding the size, age, income, and habits of the cord-nevers that were combined with data from several recent studies (Nielsen Research, n.d..; Wall Street Journal, n.d.). The GfK (2017) study showed the cord-never group represents 9% of the U.S. population with 22% of this group indicated the desire to sign up for cable TV service in the next 6 months. One recent study was conducted in 2015 from Nielsen Research (n.d.) described that the target audience spends a large amount of their time using the internet (42 hours per month) and smartphone apps (57 hours per month). The National Opinion Research Center (Wall Street Journal, n.d.) reported the top activities for the target audience include email (72%), catching up with friends (71%), and streaming music/video (68%). Using this research small cable companies can now move to the next step of targeted advertising.

Targeted Advertising

By taking the time to research a target audience, small cable TV companies can better target their advertising and select the media vehicles with which the target audience will most likely engage. The evidence-based literature review findings indicate the top media vehicles for the target audience are YouTube advertisements, social media advertisements, and email marketing. Research from GfK (2017) showed the target audience prefers short form videos, and the top source of video entertainments for cord-nevers is YouTube, which supports targeted video advertisement insertion on its platform. The second media vehicle the literature review data indicates is highly used by the target audience is social media. According to MarketingCharts (n.d.) the most popular social media platforms for the target audience are Facebook and Instagram. The research MarketingCharts (n.d.) showed Facebook (225 million) has significantly more active users per month than Instagram (5.6 million) with Instagram being more popular with the younger segment (ages 18-24) of the target audience. The third media vehicle small cable companies can use to reach the target audience is email marketing. The National Opinion Research Center (Wall Street Journal, n.d.) indicated checking and sending email is popular with the target audience while Deloitte (n.d.) reported that 44% of Millennials check email while watching their video entertainment. Lee (2016) discussed the advantages of email marketing are the flexibility of delivery times (p. 45), and the ability to target the advertising message based on what the individual consumer will find engaging (p. 42). The research indicated that small cable companies should have success connecting with the target audience by using these three media vehicles described in chapter two and again in this chapter.

As discussed in chapter one, reaching the cord-nevers with traditional television commercials is difficult as this group is fragmented across several streaming video services. Reaching the target audience is one part of the process as each small cable company should take time to evaluate their product offerings with the target audience's wants to craft relevant and engaging messages to distribute via the company's advertisements.

Select Package Based on Customer Needs

The literature review section has indicated that price is an important factor for cord-cutters and cord-nevers. A 2015 (Pew Research, n.d.) study of adults 18 and over showed that respondents indicated price was a reason for not having cable TV service. In a 2016 study (VideoInk, n.d.) of adults 18 and over the response rose to 80% of respondents indicating that cable TV was too expensive. When attracting the cord-nevers, the cable TV company should keep in mind the sensitivity of cable TV service price for the target audience when helping customers select a product. A second item to consider when helping a customer select a package is three of the newer technologies cable TV provides: DVR, TV Everywhere, and TiVo. The digital video recorder, or DVR, allows cable TV customers to record many hours of traditional linear cable TV and then watch the recorded video at a more convenient time for the customer at their home with the ability to fast-forward and rewind the video as needed. TV Everywhere service is similar to a feature available with many streaming services which allows customers to use a smartphone app or a website, combined with the proper credentials, to watch video content on many different devices including computers and smartphones. The TV Everywhere video is delivered over an internet connection similar to a streaming service many in the target audience are accustomed to using and is often included as part of the cable TV subscription. The third technology that cable TV companies offer that the target audience may find of value is TiVo.

This newer technology combines cable TV channels, a DVR, YouTube, and several online streaming services into one box. One popular feature included with TiVo allows the user to search for video content across several platforms including linear cable TV and streaming services. TiVo then shows the search results from multiple sources in one place. Before reaching the success component of figure 3.2 it is important to match the cord-never's needs and the cable TV products in order to help the potential customer feel cable TV is valuable.

Become Customer

Once the three other components of the conceptual model presented in figure 3.2 are successful, the fourth phase is the cord-never becoming a customer. Attracting and adding cord-nevers is an important task for small cable TV companies as the group represents 9% of the U.S. population (Baar, 2017). Two ways a cable TV company can measure success is 1) the new customer subscribes to cable TV service, or 2) the new customer subscribes to both cable TV service and an online streaming service.

Summary

The evidence-based literature review in chapter two was used to create two conceptual models that help visually describe the complex issues between stakeholders in this study. Figure 3.1 used stakeholder theory to show the groups that influence the business decisions small cable TV companies make. The stakeholders and their connection to the company were discussed in detail based on data from the literature review section. Figure 3.2 showed methods small cable TV operators can use to attract the cord-never group to become cable TV customers. This four-step method should act as a framework for cable TV companies to add their unique messaging based on their product offerings and their customer needs. The next chapter of this study will discuss industry recommendations based on the evidence-based literature review.

Chapter Four: Recommendations

Introduction

This study provided an evidence-based literature review of the pressures small cable TV companies face from losing customers to less-expensive online streaming video services. The study also used the literature to identify the groups that are most likely to be interested in cable TV and reviewed methods to reach those groups.

The methodology for the evidence-based literature review used for this study included key word searches using university library databases and searches on telecommunication and marketing industry websites. The reviewed literature included scholarly peer-reviewed articles, qualitative and quantitative research, grey literature dissertation studies, and industry expert articles. The research questions helped focus the search terms and determine the selected scholarly articles (Chulkov & Nizovtsev, 2015; Halsey, Pfaff & Hendrickson, 2015; Hillebrand, Driessen & Koll, 2015; Holt, Steirer & Petruska, 2016; Laczniak & Murphy, 2012), the grey literature articles (Adweek, n.d.; Burroughs, 2015; Borhani, 2015; Informitv, n.d.

MarketingCharts, n.d.; Mortland, 2012; Netflix, n.d.; Nielsen, n.d.; Parsons, 2008; Pew Research Center, n.d.; Schellner, 2014; Statistic Brain Research Institute, n.d.; Tingley, 2015; US Census Bureau, n.d.; VideoInk, n.d.; Wall Street Journal, n.d), and the industry expert articles (American Cable Association, 2017; Baar, 2017; Brodkin, 2015; Easter, 2017; Frankel, 2017; GfK, 2017; Lafayette, 2016; Lafayette, 2017; National Football League, 2017; NBCUniversal, 2017; Netflix, 2017; No Author, Decision Data, n.d.; No Author, Advertising Age, 2015; Poggi, 2016; Time Warner Inc., 2017). Given the contemporariness of this topic much of the literature is newer, ranging from the last five years to the current year. The scholarly research provided a basis to help establish the concept and acknowledge the existence of the cord-cutter and cord-never groups discussed in this study and their use of alternative video sources. The grey and industry expert literature aided the study by providing timely detailed size, demographic, and viewing information of the cord-cutter and cord-never groups that was lacking in the scholarly material. This study is a combination of scholarly materials and concepts used to research and develop methods that can be used by industry professionals to identify and plan for issues facing video content producers, cable TV companies, and video consumers. In this chapter, two key recommendations from the key words searched will be discussed based on findings during the search for literature. Next, this paper will discuss if the amount of literature available was adequate enough to conduct a systematic review of the subject.

Key Recommendations

Findings from the key words searched for “television” AND “audience decline” (Burroughs, 2015; Schellner, 2014), and “cord-cutters” (Chulkov & Nizovtsev, 2015, Halsey, Pfaff & Hendrickson, 2015; Holt, Steirer & Petruska, 2016) along with industry experts (Adweek, n.d.; Brodkin, 2015; Easter, 2017; Frankel, 2017; Lafayette, 2016; Lafayette, 2017; Netflix, 2017; Poggi, 2016; Statistic Brain Research Institute, n.d.; US Census Bureau, n.d.; VideoInk, n.d.) was reviewed to gauge the number of U.S consumers that are subscribing to the growing number of streaming video alternatives to cable TV. The findings indicated U.S. consumers find value in the alternative video sources and see the streaming services as able to provide video entertainment that interests them at a less expensive cost. Additionally, for the debate of cord-cutters as a trend, the literature did not show a direct connection to consumers cancelling their cable TV service and replacing cable TV with streaming video. The literature showed that the cord-cutter and cord-never groups were projected to grow in the future while showing younger demographics (ages 18-34) subscribed to cable TV less often than older demographics (ages 34-68+).

Findings from the key word search for "digital marketing" AND "strategic communications" (Borhani, 2015; Mortland, 2012; Tingley, 2015) and from industry experts (Baar, 2017; GfK, 2017; Informitv, n.d.; MarketingCharts, n.d.; Nielsen, n.d.; Wall Street Journal, n.d.) were reviewed to identify advertising methods to reach the cord-cutter and cord-never groups that became fragmented from cable TV. The findings indicated the cord-cutter and cord-never groups did use a mix of different streaming video services instead of cable TV for their video entertainment source. Additionally, many in both the cord-cutter and cord-never groups were satisfied with the streaming video alternatives. The findings showed a significant portion of the cord-never group was interested in subscribing to cable TV service in the next 6 months. The review also showed that the group of cord-nevers interested in subscribing to cable TV was heavy internet, smartphone app, and email users. Using digital marketing methods, cable TV companies could advertise their product to this group as traditional television commercials would not be effective.

First Recommendation: Control the Costs of Service or Explain Value of Service to Attract Cord-Cutters as Customers

In a 2016 survey conducted by TiVo and DigitalSmiths (VideoInk, n.d.) consumers indicated several reasons for not subscribing to cable TV service. The top two reasons were cable TV service was too expensive (80%), and consumers had the ability to find video content relevant to them through streaming video services (43%). The literature indicated one reason for the rising cost of cable TV service (Brodkin, 2015; Cable Bills; 2015; Frankel, 2016, US Census Bureau, n.d.) is the cost of video content charged by programmers. Research (U.S. Census

Bureau, n.d.) showed the cost cable TV companies pay for programming had increased significantly (65%) over an eight-year period to $47.9 billion dollars per year. For the group of cord-cutters, the rising cable TV service cost helped make the lower cost streaming video alternatives a viable alternative to cable TV. For the cord-nevers the rising cost of cable TV service compared to streaming video services made the cost for cable TV hard to justify in their budgets. Easter (2017) discusses that a subscription to a streaming video service was cheaper than cable unless a viewer needed to subscribe to multiple streaming services to access all their desired content. In the case of subscribing to several streaming service the costs can add up quickly. The point Easter (2017) made was important as the number of video streaming companies grow and competition increases these companies could face the same programming cost issues as cable TV companies. Small cable TV companies could work on a plan to discuss the value of cable TV by comparing the amount and quality of programming for viewers when compared to programming offered by streaming video services.

Second Recommendation: Use Digital Marketing to Reach Cord-Nevers

A key question that this study wanted to examine was what were the best evidence-based methods to reach a fragmented audience (cord-cutters and cord-nevers) that do not watch traditional linear TV advertisements. The literature showed that digital marketing methods were effective at reaching the cord-cutter and cord-never groups. The research reviewed scholarly research and grey literature studies (Barr, 2017; Chulkov & Nizovtsev, 2015; Halsey, Pfaff & Hendrickson, 2015; Holt, Steirer & Petruska 2016, Poggi, 2016) that varied on the amount of detail known about these two groups. Industry research from Baar (2017) and GfK (2017) reported detailed demographic and behavioral information for the cord-cutters and cord-nevers that were useful for this study. The research (Baar, 2017; GfK, 2017) on the cord-never demographic and their intent to subscribe to cable TV aided in the literature search on media vehicles the cord-nevers were likely to use. As Borhani (2012) identified, by knowing their audience, small cable TV companies would have a better idea of where to spend their advertising budget (p. 36). The literature identified email marketing, social media platforms (Facebook and Instagram), and YouTube advertisements were the best ways to reach the cord-never group who did not watch traditional linear TV commercials.

Social Media

The literature review indicated the cord-never group were heavy users of the internet, smartphone apps, social media, and email. Using social medial platforms can be an efficient and affordable way for small cable operators to reach the selected target audience. In a 2012 thesis Borhani (2012) discussed that “social media advertising allows brands to spend far less than traditional advertising campaigns with a greater return on investment by reaching only the targeted demographic” (p. 36). Social media is capable of targeting an audience based on geographic location (p. 39), and through various media that includes text, videos, and pictures (Borhani, 2012, p. 52).

In addition to advertising directly to a target audience, social media can be used in other ways to complement a company’s marketing campaign. One use of social media is referred to by Constantinides (2014) as the passive approach, where the goal is to listen to various social media sources to gain information (p.45). By using the passive approach a company can gain information on “market needs, customer experiences, competitive movements and trends” as a way to gain high quality information (Constantinides, 2014, p. 45). The second way social media can be used to complement a company’s marketing campaign is called the active approach (Constantinides, 2014, p. 47). This approach involves actively making your campaign information available to the target audience through blogs and video sharing websites. In addition to simply making campaign information available, it helps to make the content interesting to the target audience. An example of the active approach is the award winning Geico "Unskippable" ad that has reportedly been watched over 14 million times online (Diaz, 2016) by viewers seeking out the commercial online. Constantinides (2014) discusses that by using the active approach, such as the Geico example, a company uploading a video relevant to the target audience to video sharing websites has the "potential to be viewed by thousands or even millions of viewers at practically no cost" (p. 47). The literature reviewed showed that social media offers a versatile way to 1) gain information on customers' needs and feedback 2) a way to advertise to a targeted audience with engaging messages.

Email

Another approach small cable TV operators should consider to reach the cord-never group is email marketing. Lee (2016) stated "email marketing is one of the most effective ways for firms to reach consumers and send tailored messages relevant to their interests" (p. 42). Email marketing also allows for custom design, customized fields to add information personalized to the customer, links to websites, and flexible delivery times that can be coordinated with an event the user initiates (Lee, 2016, p. 45). Similar to social media and other forms of advertising, it is important for email marketing to deliver a message that is relevant and interesting to the target audience. By keeping the email message, images and copy relevant and timely, the company sending the email can help ensure the customer does not unsubscribe from the mailing list (Ryan, 2014). The issue that occurs is when a customer is not engaged or does not find value in your email and unsubscribes and the company will likely not be able to market to these customers in the future. Providing a message that the target audience finds value in can dissuade a cord-never in unsubscribing from a small cable operators mailing list. The literature review showed email marketing as an important tool for small cable TV companies to reach the cord-never group.

The second research question that this study wished to address were ways to attract cord-nevers to subscribe to cable TV. The digital marketing methods discussed in this section, social media, YouTube, and email marketing, were used in the “CONNECT” step in figure 3.2 to help model marketing approaches to attract cord-nevers to subscribe to cable TV.

Attracting this 9% (GfK, 2017) of the U.S. population to become cable TV customers could make a significant positive financial impact for small cable TV companies. As discussed in this recommendation section the digital marketing methods of YouTube advertising, social media advertising, and email marketing can be an effective way to reach the cord-never group.

Summary

Attracting new customers is important for many businesses and this process begins with understanding the customers’ habits and needs. Learning approaches to attract new customers and the customers that already canceled cable TV service are topics the research questions of this study looked to address. The study began with a systematic and methodical review of scholarly, grey, and industry literature. This systematic search led to a satisfactory amount of available literature that was used to answer the study’s two research questions. This evidence-based literature review revealed the cord-cutter and cord-never groups are very concerned with the cost of cable TV service. The study reviewed literature discussed the challenges small cable TV companies face including rising programmer costs and rising competition from lower cost competitors. The literature review was used to address the question of marketing approaches for small cable TV companies to reach potential customers who do not watch traditional linear TV advertisements. The literature revealed a portion of the cord-never group that was interested in becoming cable TV customers and the one approach to reaching this audience was digital marketing methods of YouTube advertisements, social media advertising, and email marketing. This study was intended to be a scholarly review of the cord-cutter and cord-never groups with the findings meant to aid scholarly and industry practitioners to better understand these groups. The next chapter will be the conclusion of this study and will discuss gaps in the literature and unanticipated findings.

Chapter Five: Findings and Analysis

Introduction

This study examined literature related to methods for advertising to and attracting consumers who use alternative video entertainment sources and do not watch traditional linear TV advertising. The evidence-based research presented knowledge on two different consumer groups and the methods small cable TV companies can use to engage and attract these consumers. This chapter will conclude this study with a discussion on gaps in research found during the literature review, future research ideas and unanticipated findings.

Gaps in Literature

During the systematic review of the cord-cutter and cord-never groups, it was noticed that there is a lack of scholarly research discussing the complex relationship between programmers (content producers), cable TV companies (content distributors), and consumers (cable TV subscribers, cord-cutters, cord-nevers). The research from Halsey, Pfaff and Hendrickson (2015) explored cord-cutters, technology advancements and several legal cases brought by programmers to discuss the complex relationships between the groups, but was biased against programmers and cable TV companies. Research from the U.S. Census Bureau (n.d.) showed the increased costs, 65% over eight years, charged by programmers to cable TV companies, but there is a lack of research explaining the cost increase. Some of the increased programming cost to cable TV companies were passed to consumers and is one factor that led the cord-cutter group to unsubscribe from cable TV. Additional research discussing the reasons for increased programming costs will benefit the field to better understand the relationships and influences between the three groups (programmers, cable TV companies, and consumers).

Suggested Additional Research

Questions that can be addressed for future study:

- What is the difference between the price consumers are willing to pay for video content and the actual cost of video content to cable TV companies?
- How do the demographics, viewing habits and needs of the cord-cutter and cord-never groups change as they age?
- What factors have influenced programming costs to increase 65% from 2007 to 2015?

Unanticipated Findings

The evidence-based review of this study researched the cord-cutter and cord-never groups in order to develop methods that small cable TV companies can use to advertise to and attract members of these groups as customers. One step in the research process was learning more about these consumers including their demographics, their habits, and their needs. An unanticipated finding during the research was the gap between what consumers indicated they would pay for a channel and the cost cable TV companies pay to distribute the channel. Lafayette (2016) presents research from TiVo/Digitalsmiths asking 3,100 pay TV customers what they were willing to pay for various channels. The respondents indicated they would pay $1.95 per month for ESPN, a popular sports channel. In a telecommunications industry article, Frankel (2016) discusses the cost cable TV companies pay programmers each month to distribute ESPN is $7.20 per subscriber. This $5.25 gap between customers' perceived value of ESPN and the programming costs to cable TV companies for ESPN was surprising. Further data collection on the costs consumers are willing to pay for channels will help researchers understand the complex relationships between programmers, cable TV companies, and consumers.

Conclusion

As the cost of cable TV service increases, consumers are increasingly turning to alternative video entertainment sources (Baar, 2017; GfK, 2017; US Census Bureau, n.d.; VideoInk, n.d.), such as Netflix or YouTube, to replace their cable TV subscription. Small cable TV companies are faced with pressure from increased costs from programmers and increased competition from less expensive streaming video services (Brodkin, 2015). The increased cost of cable TV service has helped create the cord-cutter and cord-never groups this study focused on.

This study is significant because it will contribute to scholarly literature and provide industry practitioners with a better understanding of the size, viewing habits, and a model to attract the cord-cutter and cord-never groups. Research from Baar (2017) and GfK (2017) indicates that the cord-never group represents 9% of consumers in the United States and 22% of the cord-never group are interested in becoming cable TV subscribers. By using the correct message for their audience, small cable TV companies can use the digital marketing methods described in this study to reach the cord-never group that want to become customers.

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