



Is Cutting the Cable Cord Worth it?

Description

A little over a year ago, my wife and I moved into a new apartment built by a friend of the family.

The place was beautiful. It boasted gorgeous hardwood floors, high-end stainless steel appliances, two huge bedrooms, in-suite laundry, and it had all utilities included, including fast wireless internet. What more could I ask for?

There was just one problem. The place didn't have cable.

The landlord made an effort to put in cable, but it was somewhat half-hearted. I think what happened was he called a cable provider, hoping to negotiate a deal because he wanted a package for multiple apartments. The package and price offered didn't come close to his expectations. So he let the matter drop, hoping his tenants wouldn't care.

I know we sure didn't. Yeah, I missed TV for the first few weeks. But then I settled into a routine of spending my evenings reading, playing board games, watching **Netflix**, and doing a million other things that weren't staring at a TV. If I wanted to watch the big game, I'd just make plans to do it at a friend's house. You'd be surprised how welcoming people are when you show up with a six-pack and snacks.

I can answer unequivocally; cutting the cable cord was definitely worth it—at least for me. How about for everyone else? That's where things get a little trickier.

How to tell

Cable television can be incredibly cheap entertainment. If you're spending \$100 per month on cable, you're getting access to hundreds of different channels showing everything from cartoons to sports to movies.

My friends with young kids love cable. Whenever I tell them we've cut the cable cord, they're amazed. They just can't envision a life without television. When the kids go to bed at 8:00 p.m. and you don't go to bed until 10:30 p.m., there aren't a lot of entertainment options. And cable helps keep the kids

entertained. For them, cable makes sense—lots of sense.

My parents, who are baby boomers close to retirement age, should really punt their cable subscription. They watch the nightly news and not much else, preferring to be entertained from the internet. But they resist, mostly because they've had cable for 30 years and can't imagine a life without it.

It comes down to this: if watching TV is an important part of your evening routine, keep cable and don't feel bad about it. And if you find yourself doing anything but watching television when you have some leisure time, get rid of it.

The impact on Canada's cable providers

There are a half dozen major cable subscribers in Canada. Let's focus a little on how this will impact **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)), which might not be the largest, but it gets a high percentage of its revenue from providing television services.

In its fiscal 2016, Shaw started the year with 2.576 million television subscribers: 1.764 million cable subscribers and 811,988 satellite subscribers. By the end of the year, those numbers had dropped to 1.671 million and 790,574, respectively. That's a drop of nearly 105,000 total television subscribers—a decline of nearly 4.5%.

To give Shaw credit, the decline was better versus 2015, when nearly 141,000 TV subscribers said “adios.”

Shaw has been making moves to help compensate for this decline. The biggest one was buying Wind Mobile, which it recently rebranded to Freedom Mobile. Freedom has more than one million subscribers and added nearly 40,000 more in the latest quarter alone.

The problem? Wireless margins aren't nearly as good as TV. Shaw reported that its consumer segment—which includes television, internet, and home phone service—had operating margins of 44.4% in 2016. Wireless margins came in much lower at 21.1%.

The bottom line

The trend of cutting cable isn't going away. More and more Canadians will make the choice, especially as internet options increase. Shaw has done a decent job diversifying away from cable by branching into wireless, but that may not be enough to stem the tide. Cable customers are just more lucrative than wireless ones.

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Date

2025/08/24

Date Created

2016/12/02

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