Online Streaming Now More Popular Than Pay TV, but It Might Not Last

Description

A recent report by Deloitte found that we've reached a bit of a milestone when it comes to online streaming services. For the first time in it is digital media trends survey, the consulting company found that 69% of respondents had a streaming video subscription, which was more than the number that had a conventional television service – 65%.

While the study focused on the U.S. market, it's likely that the numbers in Canada would say more of the same thing: that consumers are opting more for streaming services than they are for regular cable packages. And cord cutting appears most popular among millennials, with a whopping 88% having a streaming video subscription compared to just over half (51%) that had pay tv.

It's a bit of a surprise to me that we're finally seeing the scales tip toward online streaming. After all, **Netflix, Inc.** (NASDAQ:NFLX) has been around for years now and consumers have been cutting the cord for a while. Even as the company faces increasing competition and has had to increase its prices, the streaming service remains a popular option for consumers and it's been synonymous with cutting cable.

The survey also found that on average, users had three streaming video services, suggesting that there is definitely an appetite for more than one subscription. But as there are other companies offering their own content and Netflix may ultimately rely solely on its own content, will that be enough to keep consumers happy and subscribed to the service?

Ultimately, the main reason consumers were found to be willing to pay for an online service like Netflix is the lack of advertisements, although many users have been willing to watch ads in exchange for free content.

What does this mean for investors?

Last year, **Corus Entertainment Inc** (TSX:CJR.B) saw its share price dive after a mediocre earnings result had investors worried that online streaming was taking over. And while investors have slowly come back, it highlights a real concern in investing in companies that depend on cable.

However, in the medium term, there could be an influx of subscribers returning to conventional cable. If consumers end up having to subscribe to several services to see what they did on a normal cable subscription in the past, cable might soon become the most economical choice for consumers. And that would be a big win for Corus, as it would mean a big boost to its revenue.

There's still a big opportunity for cable companies and content providers to adapt and offer streaming services themselves, which could be more diverse than what consumers find online. Corus, for instance, has a lot of quality channels in its portfolio that if it bundled together in a streaming service could attract a lot of consumers.

Canadian companies, however, have been a bit slow when it comes to offering streaming packages than their U.S. counterparts have been, but if we see more growth in that segment of the market, it's one way to bring consumers back. So while telecom and cable stocks might be struggling in Canada today, I wouldn't count them out just yet; they could turn out to be good buys today, especially as investors are bearish on them and their prices remain low.

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