Streaming Video Services: Beyond the Tipping Point

Key 2022 Trends To Follow in 2023 and Beyond

By Stuart N. Brotman
Distinguished Fellow, The Media Institute
Contents

Introduction ................................................................. 1
Audience Measurement .................................................. 2
Subscriber Attraction and Retention .............................. 4
Consolidation and Bundling ............................................ 4
Streaming and Professional Sports ................................. 6
Streaming and Box Office Revenues ............................... 7
Streaming Advertising ................................................... 9
Streaming Political Advertising ..................................... 11
Introduction

In July 2022, for the first time ever, streaming video platforms exceeded all television viewers on separate video platforms, according to the audience measurement firm Nielsen. A record 34.8 percent were watching streaming services, compared to 34.4 percent for cable and 21.6 percent for broadcast television. This tipping point now means that streaming video will remain the single most-dominant form of television consumption for the foreseeable future.

With this in mind, this Digital Media Center Executive Brief from The Media Institute highlights seven key streaming video developments in 2022 that can help chart a course for where streaming is headed in 2023 and beyond.
AUDIENCE MEASUREMENT

- Audience measurement in the post-pandemic environment remains an important issue for streaming video’s continuing development. In 2022, for example, Netflix ended measuring based on counting any viewer who watched a movie or show for at least two minutes. Instead, it now is ranking content based on total hours viewed.

- This means that shows such as *Dahmer – Monster: The Jeffrey Dahmer Story* can be characterized as a massive hit since it has attracted more than 700 million hours of viewing to date.
- Audience measurement for streaming video also must focus on how to determine “stickiness.” For example, it will be desirable to determine which viewers are returning to a streaming platform most frequently, such as by watching at least 75 minutes over the course of 28 days.

- Premium streaming services also face the continuing problem of churn – canceling one service and signing up for another depending on what is on at any given time.

- About 19 percent of subscribers to select premium streaming services (Netflix, Hulu, Apple TV+, HBO Max, Disney+) canceled three or more subscriptions during the past two years, according to the subscriber measurement firm Antenna. This
cancellation rate has more than tripled since the previous two-year stretch that ended in June 2020.

**SUBSCRIBER ATTRACTION AND RETENTION**

- Streaming video services have experienced a slowdown in subscribers in 2022, which is leading to the development of new strategies to secure customer loyalty and engagement.

- For example, Netflix lost over 1 million subscribers during the first half of 2022.

- As a strategy for retaining subscribers and attracting new ones, Netflix remains committed to all-at-once releasing, which encourages binge viewing. The success of *Squid Game* in 2022 helped to validate this strategy.

**CONSOLIDATION AND BUNDLING**

- Streaming video also will see new initiatives of consolidation and bundling.

- Streaming video providers would like to see more consumers subscribe to a slate of bundled services rather than one.

- This follows the pay TV model, which has demonstrated the attractiveness of bundles.

- Disney pioneered streaming bundling in 2022 by packaging together Disney+, ...
Hulu, and ESPN+ in a $19.99 monthly bundle, with a stable package price instead of price increases for consumers who chose to select individual services in the bundle.

- It is anticipated that when Warner Bros. Discovery consolidates HBO Max and Discovery+ into a single service in the summer of 2023, it will be offered at a price less than the current prices for the stand-alone services.

- Walmart’s deal with Paramount+ has added another dimension to streaming bundling. Walmart+ subscribers now will receive a free Paramount+ subscription for as long as they are customers.

- Like Amazon Prime Video, the main attraction of Walmart+ is unlimited free shipping for a $12.99 monthly fee.

- Costco now is exploring a comparable streaming video bundling option, too.

- T-Mobile subscribers now have a bundled free subscription to Netflix and a one-year free trial to Apple TV+ and Paramount+.

- A key to making these bundles work will be a strong marketing commitment, backed by resources, for the parties involved in such a deal.
STREAMING AND PROFESSIONAL SPORTS

- Amazon Prime Video secured the rights this year for Amazon’s Thursday Night Football with a $1-billion annual license fee. Amazon signed Al Michaels from NBC and Kirk Herbstreit from ESPN to provide play-by-play and color commentary, respectively.

- The exclusive NFL deal will include alternative video streams, including one with commentary by YouTube stunt personality Dude Perfect.

- Amazon’s Thursday Night Football has several important features that are unique and designed to attract subscribers who find these features enhance their sports viewing experience.

- For example, viewers can watch, record, or start from the beginning of the game. On most devices, viewers also can see real-time statistics on the screen, including custom stats such as the average time to throw for quarterbacks and yards after contact for running backs and receivers. Viewers can review highlights of the game while it still is in progress.

- The NFL also may move its Sunday Ticket package to a streaming video platform next year.
● This deal serves as a model for live sports viewing on streaming video services. Other professional sports leagues will be evaluating whether to move their sports packages from broadcast and cable television to streaming video.

● Major League Soccer already has announced that it will be moving all its games exclusively to the Apple TV+ platform beginning in 2023.

● Technical issues remain, however. Sports on streaming platforms may not be able to handle a large influx of viewers, resulting in app crashes, such as CBS All Access experienced with this year’s Super Bowl.

● Additionally, the varying speed of customer broadband at home may affect the viewing experience. This means that some viewers may not be able to view the livestream without interruption. They also may not be able to perform full navigation functions due to the type of streaming device they have.

STREAMING AND BOX OFFICE REVENUES

● Streaming video continues to challenge theatrical box office revenue, even as moviegoing increases substantially in a post-pandemic environment.
● Although customers are returning to cinemas, the $3.3 billion in domestic box office revenue through the summer of 2022 still represents a 21-percent drop from the 2019 summer season, according to IMDB’s Box Office Mojo.

● For studios, streaming revenue cannot replace the full and immediate impact of box office revenue.

● Warner Bros. Discovery, for example, has eliminated the HBO Max premiere of Warner Bros. movies that was in effect for most of 2020 and all of 2021 due to the pandemic. This change is being made to re-establish a first-run theatrical window that serves as an incentive for the public to return to movie theatres rather than expect the same film to be available on a streaming service upon its release.

● Movie exhibitors also are developing strategies to invest in and monetize in-home streaming video entertainment.

● Regal Cinema’s parent company Cineworld, which is the second-largest U.S. movie theatre chain, will be restructuring after filing for Chapter 11 bankruptcy protection this year.

● As part of its search for new revenue sources, Regal may seek to invest in streaming capabilities for both new and
catalog releases, and perhaps even episodic programming, that would be available on a Regal-branded app.

● An open issue is whether content providers would welcome such investments, since they may undermine their own premium streaming video platforms.

STREAMING ADVERTISING

● According to the research firm Parks Associates, advertising-based streaming video services are among the fastest-growing segments of video entertainment – now watched by 37 million households.

● Parks Associates research indicates that Pluto TV, Tubi TV, Peacock, and The Roku Channel are the leading advertising video on demand (AVOD) services.

● A survey of 1,000 respondents conducted by the research firm Fandom indicated that 57 percent were not interested in subscribing to any streaming video service that had advertising.

● Overall, 54 percent indicated they only would pay for ad-free streaming video services, while 8 percent indicated they only would select ad-free services; 38 percent indicated that they have a mix of both.

● Regarding whether the survey respondents would be open to consider a cheaper ad-supported version, 52 percent indicated that they would, but only 41 percent indicated that they would be open to signing up for a stand-alone ad-free streaming video service.

● This type of research is important to consider as both Netflix and Disney+ continue to roll out in 2023 a cheaper
### Households Using Ad-Based OTT Video Services

**Q1/2019**  
(n=5,004, ±1.39%)  
24%

**Q1/2020**  
(n=5,017, ±1.38%)  
25%

**Q1/2021**  
(n=5,016, ±1.38%)  
31%

**Q1/2022**  
(n=5,002, ±1.39%)  
33%

Among US Internet HHs Surveyed | © 2022 Parks Associates

### Ad-Based Service Viewing Frequency

- **Light Users**: 1-3 times per month
- **Moderate Users**: 1-3 times per week
- **Heavy Users**: Daily/almost Daily
- **Several times a day**

**Q1/2021**  
(n=1,576, ±2.47%)  

**Q1/2022**  
(n=1,652, ±2.41%)  

Among Ad-Based OTT Service Users | © 2022 Parks Associates
ad-supported streaming service in order to enlarge their subscriber bases and grow revenues. Hulu already has introduced this alternative.

- Free ad-supported streaming TV (FAST) services continue to grow. There now are 22 major providers, including Pluto TV, Tubi, and Roku. AMC Networks and A+E Networks plan to launch new FAST channels in the coming months.

- FAST to date has been attractive for local and national news, but not for sports.

- FAST also has licensed old TV shows and movies as programming staples, which are attractive to viewers as they scroll through an electronic programming grid to make a selection.

STREAMING POLITICAL ADVERTISING

- The 2022 election season was the first where political advertising on streaming video services played an important role.

- The research firm Kanter estimates that $9 billion overall will be spent on political advertising this year.
● Of this amount, Kanter estimates $6.2 billion will be spent on broadcast and cable advertising, and $1.4 billion will be spent on political advertising on streaming services.

● This streaming total also represents nearly 7 percent of the $21.2 billion that the Interactive Advertising Bureau expects will be spent on all streaming advertising in 2022.

● Streaming advertising is destined to grow as planning for the larger 2024 election campaign begins a two-year spending cycle in 2023.
Stuart N. Brotman serves as a Distinguished Fellow at The Media Institute. He is the Alvin and Sally Beaman Professor of Journalism and Electronic Media Enterprise and Leadership at the University of Tennessee, Knoxville. He previously served there as the inaugural Howard Distinguished Endowed Professor of Media Management and Law.

The Media Institute’s Digital Media Center, launched in 2020, is dedicated to focusing on timely trends and analyses for decision makers in the evolving digital media ecosystem. As a nonpartisan, neutral forum based in the Washington, D.C. area, it reflects The Media Institute’s long-standing commitment to enduring values of free expression and free enterprise.