The Battle for the North American (US/Canada) Couch Potato: OTT and TV

May 2022

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Commentary

Since 2003, we have published our Couch Potato Report series every year. The Battle for the North American (US/Canada) Couch Potato: OTT and TV, May 2022, (363 pages), contains detailed analysis of offers (including prices & programming), deals & rights, strategy, subscriber & financial performance metrics (including forecasts) by Company & Market. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, CRTC, Statistics Canada, US Census.

US Commentary (Canadian Commentary follows), please see Table of Contents for what is included in this Report:

Based on analysis of over 75 OTT services (over 50 providers), led by Netflix, Disney/Hulu, Amazon Prime, Warner Bros. Discovery, we estimate 2021 US OTT access revenue grew 37% to $39.5 billion, and forecast 29% growth to $50.9 billion in 2022, $X billion in 2023 and $X billion in 2024. We forecast 2024 spending on OTT access will be X% of what is spent on TV access, up from X% in 2021, however we project TV ARPU will still be X times OTT ARPU.

Programmers continue to take revenue market share and we forecast will represent X% of 2022 US OTT access revenue versus X% for Independents and X% for TV Access Providers, and X%, X%, X% respectively in 2024. Major programmers face a complicated trajectory not only in terms of competition and profitability but balancing linear & OTT programming, advertising, and theatrical distribution. Though in decline, traditional US TV access (which despite perennial price rises is steadily losing margin), advertising, and programming is still a $220 billion business.

We project 2022-2024 annual US OTT household penetration, subscriptions per household, and net OTT subscriptions added will each progressively see more moderate growth (we forecast 80 million additional US subscriptions in 2022 and 50 million in 2024).

We estimate Broadcast & Cable TV Network Online advertising, propelled by OTT (AVOD, FAST, SVOD), will represent X% of 2022 rising to X% of 2024 US TV advertising revenue.
We estimate 2021 US Cable, Satellite, Telco TV access revenue declined 4% to $91 billion and forecast a decline of 6% to $X billion in 2022 (hence ARPU should grow X%), with decline increasing to X% in 2024 to $X billion.

We estimate 2021 saw a decline of 6.47 million US TV subscribers, 2020 a decline of 6.49 million, and we forecast a decline of 7 million TV subs in 2022, X million in 2023, and X million in 2024; hence US TV subscribers declined by X% in 2021, up from X% in 2020, and we forecast decline will rise to X% in 2022, X% in 2023 and X% in 2024.

As illustrated in our US Cord Cutter/Never Household Model, as of YE2021 we estimate X million US households (47% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, up from X million (42% of HHs) YE2020, and we forecast a rise to X million (53% of HHs) YE2022, X million (X% of HHs) YE2023, and X million (X% of HHs) YE2024. 2021 saw X million, 2020 X million, and we forecast X million 2022, X million 2023 and X million 2024 cord cutter/never household additions.

Extending out forecasts to YE2027 from YE2021, demonstrates a decline of more than X% of TV subs, close to X of annual TV access revenue, a X of cord cutter/never households and more than a X in OTT access revenue. At current run-rate OTT access revenue will exceed TV access revenue in X. By YE2027 under X% of US homes will be traditional TV subscribers down from X% YE2024 and X% currently.

As TV access providers are also broadband providers there are also benefits to facilitating the rise of OTT. Although 2021 residential broadband subscriber gains were lower than 2020, 2021 gains were still substantial and we forecast 2022-2024 will see higher annual gains than 2021. Annual residential broadband revenue has more than doubled over the last decade, while TV access revenue is in its 7th year of decline, and residential broadband subscribers surpassed traditional TV subscribers in 2017. We forecast 2022 residential broadband revenue will be on par with 2022 TV access revenue.
Canadian Commentary, please see Table of Contents for what is included in this Report:

Canada is increasingly being impacted by the OTT war being waged by global, mainly US programmers and independent OTT providers. Although for programmers, Canada is a direct to consumer opportunity as well as an opportunity to sell to Amazon, Apple, DAZN, Fubo, Netflix, Canadian programmers and linear/OTT providers continue, at least in the short-medium run, to remain attractive. DAZN, Disney+, Discovery+ & GolfTV, Fubo, NBCU’s hayu impinge on the Canadian TV/OTT model, on the other hand Warner’s HBO, Paramount’s 4 Star Treks/Showtime, Lionsgate’s Starz have multiplatform deals with Bell, as does NBCU’s Peacock with Corus.

Based on analysis of over 55 OTT services (over 35 providers), led by Netflix, we estimate 2021 Canadian OTT access revenue grew 30% to $2.7 billion, we forecast 26% growth to $3.4 billion in 2022, $X billion in 2023 and $X billion in 2024. Rising Canadian OTT access revenue will continue to mostly benefit non-Canadian players. We estimate Canadian TV Access Providers & Programmers represented just X% of 2021 OTT, we forecast X% for 2024.

We forecast 2024 spending on OTT access will be X% of what is spent on TV access, up from X% in 2021, however we project TV ARPU will still be X times OTT ARPU.

We project 2022-2024 annual Canadian OTT household penetration, subscriptions per household, and net OTT subscriptions added will each progressively see more moderate growth (we project X million additional Canadian subscriptions in 2022 and X million in 2024).

We estimate Broadcast, Specialty & Pay TV Network Online advertising will represent X% of 2022 rising to X% of 2024 Canadian TV advertising revenue.

We estimate 2021 Canadian Cable, Telco, Satellite TV access revenue declined 3% to $7.86 billion and forecast a X% decline to $X billion in 2022 (hence ARPU should grow X%) and a X% decline in both 2023 and 2024.
We estimate 2021 saw a decline of 305,000 Canadian TV subscribers, 2020 a decline of 336,000 TV subscribers, and we forecast further declines of 316,000 in 2022, X in 2023, and X in 2024. Canadian TV subscribers declined by X% in 2021, X% in 2020, and we forecast X% in 2022, X% in 2023, and X% in 2024.

Canadian TV subscribers and access revenue are currently not seeing as steep a rate of decline as the US, but this could change in the medium term- dependent on new or expanded OTT offers in Canada.

As illustrated in our Canadian Cord Cutter/Never Household Model, as of YE2021 we estimate X million Canadian households (38% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, up from X million (35% of HHs) YE2020, and we forecast a rise to X million (X% of HHs) YE2022, X million (X% of HHs) YE2023, and X million (X% of HHs) YE2024. 2021 saw X, 2020 X, and we forecast X 2022, X 2023, and X 2024 cord cutter/never household additions.

Canadian TV access providers are also broadband providers and thus also benefit from the rise of OTT. 2021, 2020 and 2019 have been banner years for Canadian residential broadband subscriber additions, with 2008 and prior being the last time Canada saw better additions. We forecast 2022-2024 will continue to see robust additions. Annual Canadian residential broadband revenue has more than doubled over the last decade, while Canadian TV access revenue is in its 7th year of decline. Canadian residential broadband revenue first exceeded TV revenue in 2018, Canadian residential broadband subs surpassed TV subs in 2015, and at current run-rate Canadian residential broadband ARPU should match TV ARPU by YE2022.