The Battle for the American Couch Potato: OTT and TV

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Niche Movie OTT: A&E’s Lifetime Movie Club, AMC’s IFC Films Unlimited, Shudder, BFI Player Classics, Cinedigm’s Screambox, Crown Media’s Hallmark Movie Now, E.W. Scripps’ Brown Sugar, Filmatique, Gravitas Movies, Janus Films’ The Criterion Channel, Magnolia Selects, MGM’s Epix Now, Mubi, Ovid, Pantaya
Commentary

Since 2003, we have published our Couch Potato Report series every year. The Battle for the American Couch Potato: OTT and TV, May 2022, (214 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, US Census.

Commentary, 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.