ANNUAL INDUSTRY REPORT 2022/2023

30% 20% 55%

Introduction

The migration of old Hollywood moving toward newer models of streaming services, the collapse of traditional windows, and unprecedented corporate mergers and acquisitions, combined with advances in technological capabilities and in information gathering, have made for a fascinating and competitive OTT landscape.

All of these factors have transformed how consumers access and enjoy their favorite full-length and episodic content. In fact, Americans alone now have access to more than 300 streaming video services, and according to recent Parks Associates data, 83% of U.S. households access at least one. Consumers continue to buy and rent digital content on demand. In contrast, at the same time, revenues of the subscription services continue to grow, and linear streaming is expected to double its ad revenue from 2022 to 2023.

As we continue to witness tectonic changes in our industry, which is also one of the most dynamic of all industries, it's more important than ever to understand consumer behavior patterns and how they impact the overall industry. The best way for industry participants to stay ahead of the curve and gain a competitive edge in serving the consumer is to be informed of and leverage the latest industry trends.

And that's why OTT.X, in the quest to support the growth and vitality of its membership, has published its first Annual Industry Report and is distributing it, complimentary, to its member companies. We look forward to keeping you updated with fresh and current information during the year on our website, in our newsletters, and at our many upcoming in-person and online events. To another year of growth ahead!

Mark Fisher

President and CEO, OTT.X

The Purpose of this report

It's with great pleasure that I author this report on behalf of OTT.X. The comprehensive nature of this report makes it an important tool for any media executive looking to get up to speed on the latest developments in the OTT space.

It is equally useful for those already in the field and looking to deepen their understanding of the competitive landscape and opportunities available. Overall, this report offers a wealth of knowledge aimed at helping executives maximize their potential and remain ahead of their competition by staying current with the ever-changing landscape. Whether you're just starting out or already in the business, this report will provide you with the insights you need to make informed decisions.

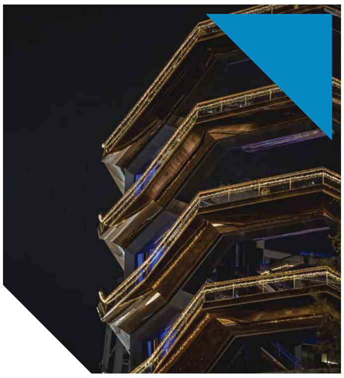
In it, you'll find everything you need to know about the OTT video industry, the latest trends, analysis, and where it is heading. In addition, this report will explore topics such as

- SVOD, AVOD, FAST, and TVOD Market Overviews
- How viewers are consuming and engaging OTT content
- Challenges facing the industry
- Opportunities and trends that we see for the future

I hope this report proves to be a valuable resource as you navigate the OTT industry in 2022-2023 and beyond. Thank you for reviewing it, and I wish you all the best in your endeavors.

Sincerely,
Kirby Grines, Founder @ 43Twenty

State of the Industry



What a rollercoaster ride we've had over the last couple of years. First, the pandemic hit, and thanks to the mandated lockdown, we were kept at home, which caused a huge shift in spending from outside entertainment to at-home entertainment.

This led to $6.4 billion being injected into the U.S. market in 2020, **according to PwC.** That trajectory continued in 2021 when another $4.8 billion was added to the market, with Americans consuming a whopping **almost 15 years** worth of streaming video content. But as the economy continued to reopen and we started going out again, this has reduced at-home media consumption.

And now, with inflation at record levels, it seems like we might be heading into another recessionary period for the sector. The media industry has lagged behind the market overall. As of November 16, 2022, the S&P 500 Media & Entertainment Index plunged 41% on a year-to-date basis compared to the S&P 500, which was down approximately 18%. And it's not hard to see why.

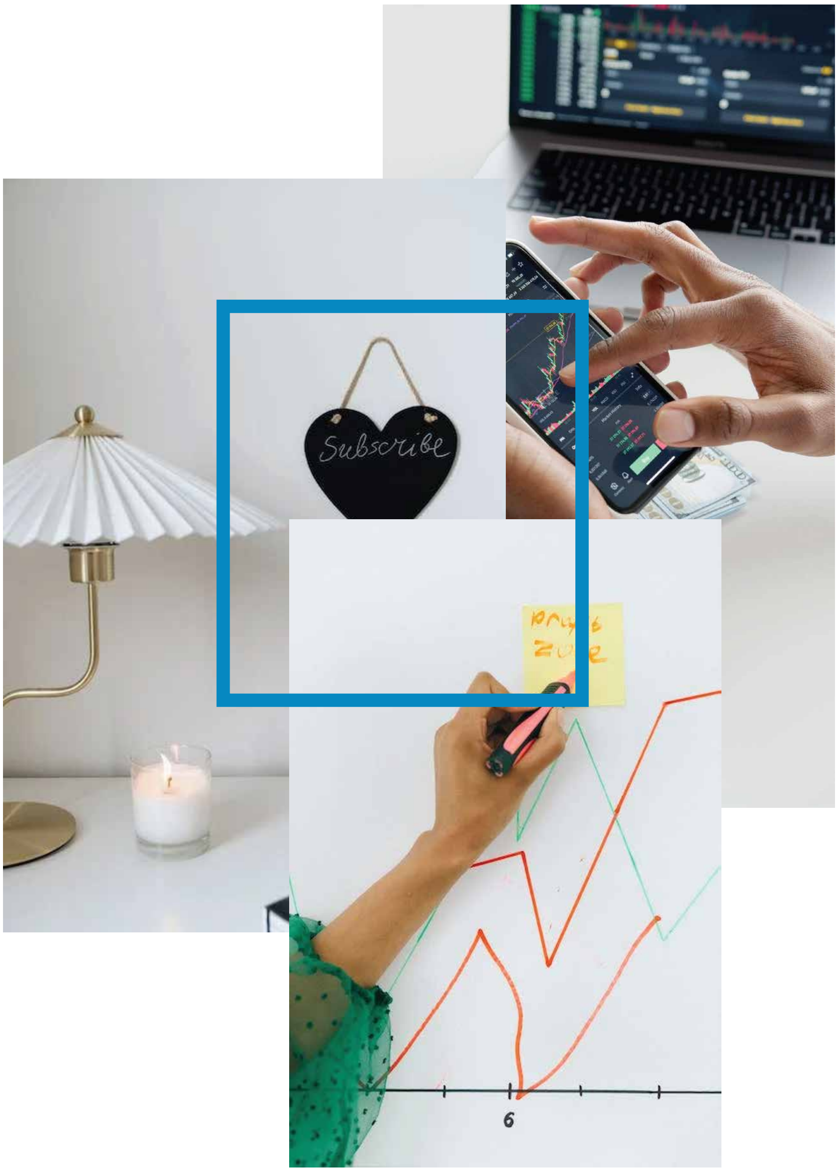
As consumers re-assess their budgets and cut back on discretionary spending, many are reducing the number of services they're subscribing to or cycling through those subscriptions and increasingly turning towards FAST (free ad-supported TV) services, causing higher churn for the industry as a whole, sending the industry into a tailspin.

All of these economic headwinds, in addition to the war in Ukraine, contributed to Netflix, media's golden child, unveiling in April 2022 that it had its first quarterly drop in subscribers for the first time in more than ten years. And although Netflix has regained its footing after a tough first half of the year, its growth in Q3 was only slightly more than half of what it saw during the same quarter in 2021.

The streaming bubble has started to burst at the seams, and it's unclear what the future will look like and how many streaming services can be profitable on their own. As thousands of media and entertainment professionals have been laid off this year from companies including Amazon, Roku, Paramount Global, Warner Bros. Discovery, CNN, Disney, and ABC, many financial experts agree that inflation and rising costs are only going to increase in 2023, potentially leading to an economic recession with varying degrees of impact.

The media companies who were steadfast on replicating the Netflix model now need to figure out if it’s worth continuing to ‘chase Reed or stop the bleed’ -- perhaps thinking about their own business model innovation. The “streaming wars” is an expensive battle; some companies will be able to afford it while others might not.

Shifting Strategy



In the past, the formula for success was to add subscribers, no matter the economics, and watch stock prices rise.

In a market that's now prioritizing profitability over subscriber count, executives need to recalibrate their strategies and determine whether their initial targets are still attainable.

Warner Bros. Discovery CEO David Zaslav has shelved several high-profile projects for HBO Max while emphasizing that he is not trying to win the streaming "spending war, " breaking away from former WarnerMedia CEO Jason Kilar’s move to put as much content as possible on HBO Max, regardless of the consequences.

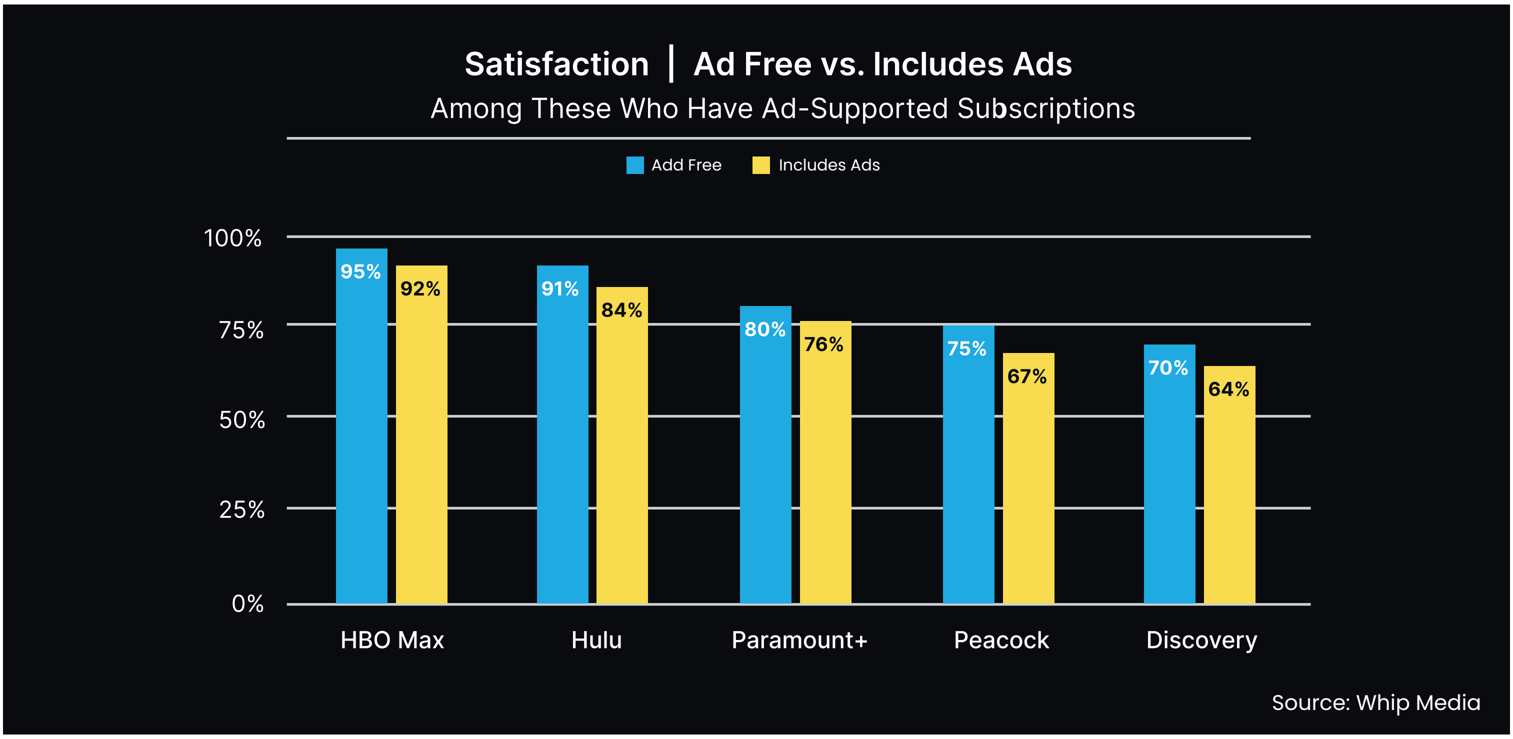
Making no apologies for his decisions, Zaslav recently stated, “We did not get rid of any show that was helping us.” Warner Bros. Discovery will be merging HBO Max with discovery+ in the spring of 2023, which could allow the company to reset pricing for the new streaming service.

After vehemently swearing it would never get into the advertising business, Netflix finally changed its tone, releasing its ad-supported tier, "Basic with Ads," in November while hiking up the prices of its premium plans. The company’s also begun to crack down on password sharing, a practice it was once said was a good thing. Disney is following in its footsteps, raising the prices of its various streaming services while launching “Disney+ with Ads.”

The company has even brought back Bog Iger as CEO. Disney expects its flagship service to be profitable in the back half of 2024, a critical year for the company as it'll have the option to buy the remaining stake of Hulu from Comcast.

According to a **recent study by Ampere Analysis,** a combined Disney+ and Hulu would account for 30% of the 100 most popular titles of any U.S. SVOD service, which is more than Netflix, which accounts for a 23% share. At this point, all major U.S. streamers are offering an ad-supported tier. Apple is rumored to be building out its own advertising network as part of the launch of MLS Season Pass on February 1, 2023, which will exclusively land on the Apple TV App. Will we see an ad-supported Apple TV+ next year?

With Netflix and Disney launching their ad-supported offerings, they're hoping to expand their addressable market by appealing to more price-conscious consumers, a move HBO Max took in June of 2021 when it introduced advertising to the service. According to a recent **Hub Research poll,** the ad-supported tier makes up approximately 28% of HBO Max's subscriber base. **And Whip Media** reports that 92% of HBO Max customers consider themselves pleased with the ad-supported option, eight points higher than Hulu, which has the second-highest satisfaction score of 84%, followed by Paramount+, Peacock, and discovery+.



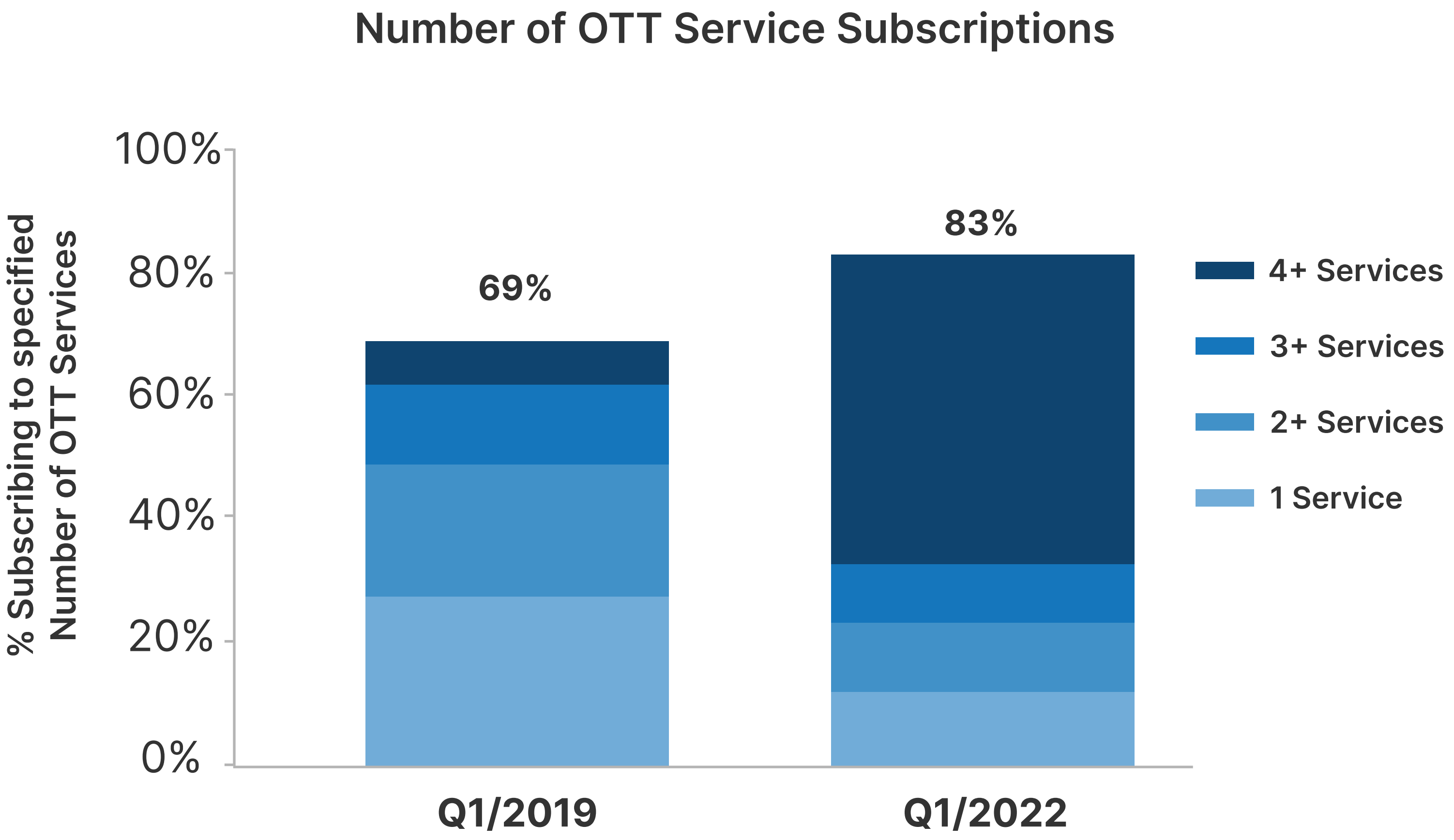
Netflix estimates that its advertising tier will reach around 40 million subscribers worldwide by Q3 2023. Will those be new or returning subscribers or those switching from premium plans to cheaper ones? Ultimately, time will tell; however, introducing more affordable plans, there's an inherent risk of cannibalizing premium plans for both Netflix and Disney. **A recent TiVo report** even suggests that 30% of Disney+ subscribers will drop the ad-free version in favor of the ad-supported one.

For what it's worth, approximately 65% to 70% of Hulu, Paramount+, discovery+, and Peacock users are on ad-supported plans, according to a Kagan U.S. Consumer Insights Survey. Peacock currently has an ARPU (average revenue per user) of nearly $10 per month. Considering most Peacock subscribers pay anywhere from zero to five dollars per month, this demonstrates the effectiveness advertising can have on a service's bottom line. MoffettNathanson's Michael Nathanson estimates that Disney+ and Netflix could see **$1.8 billion and $1.2 billion in U.S. ad revenue by 2025.**

Whether it comes from subscriptions, ads, or a blend of both, money is green, which is important for a year that can be characterized in red ink. So while cheaper Netflix and Disney plans could lead some current subscribers to pay less, advertising could actually help their profitability. And while questions about the ad market remain, the IAB expects **overall ad spend in 2023 to grow 5.9%,** led by (Connected TV) CTV, whose growth is projected to reach 14.4%.

Regardless of how the dynamics, business models, and underlying strategies evolve over the next five to ten years, streaming is the future, and the market will experience growth. But the days of winning subscribers at all costs have ended.

The U.S. OTT Market



Source: Parks Associates

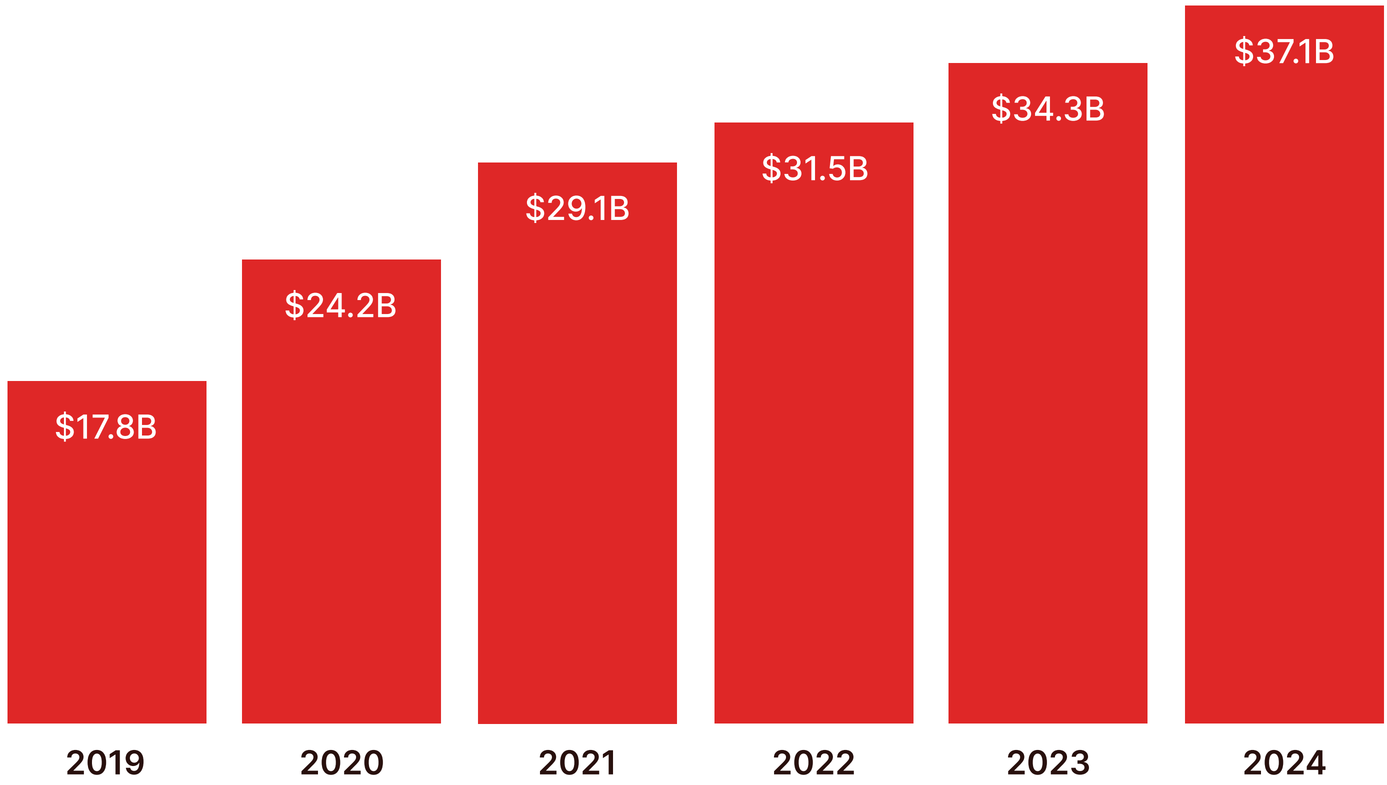
Americans now have access to more than 300 streaming video services, and according to **recent Parks Associates data**, 83% of U.S. households have access to at least one. And while the average household has at least four OTT services, 22% have more than nine! Based on **Statista data** sourced from The FCC, that would equate to approximately 26 million households with nine or more streaming services.

The U.S. has the largest OTT market globally and generated $29 billion in 2021, outpacing China, which is the industry's second-biggest market, at $11.4. billion. **PwC forecasts** the market to grow at a 6.8% compound annual growth rate (CAGR) on average, reaching $40.4 billion by the end of 2026, with the SVOD segment reaching $33.6 billion that year.

[Analysis from Kantar](#) in June shows growth across all market segments, including SVOD (paid streaming without ads), AVOD (paid ad-supported streaming), and FAST (free, ad-supported streaming TV).

This data indicates that SVOD has reached a household penetration of 82.9% of homes. AVOD was the fastest-growing segment quarter-over-quarter and has 26.9% of households. Finally, FAST has reached a household penetration rate of 22.3%.

U.S. OTT Revenue by Year

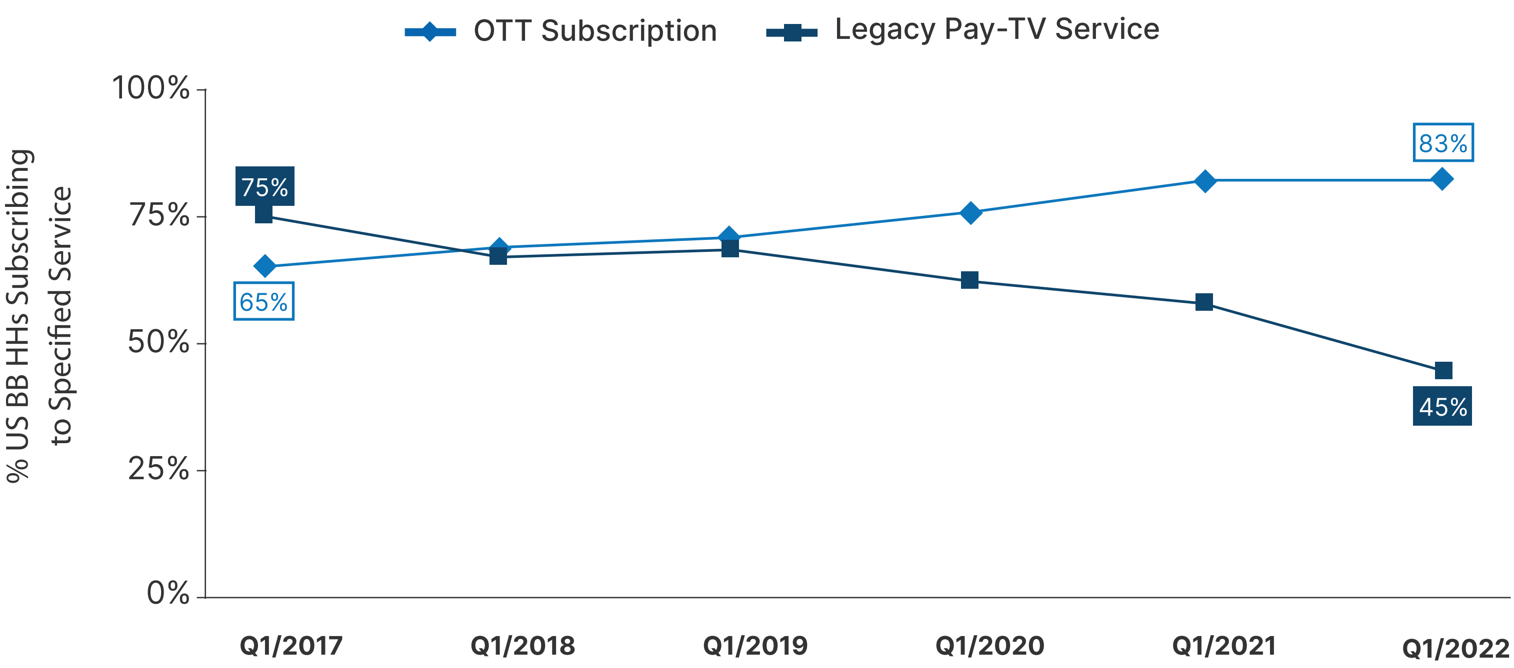


Source: PwC, Omdia

OTT's Effect on Traditional Pay TV

OTT is continuing to grow at the expense of traditional pay TV, putting the sector in secular decline. The Leichtman Research Group (LRG) estimates that the top traditional pay TV providers in the US shed about 1.6 million subscribers in the third quarter of 2022. Only 45% of U.S. internet households now subscribe to a traditional pay-TV service per Parks Associates, which is quite a significant drop considering penetration was 87% in 2012.

Pentration of Legacy Pay-TV vs. OTT Services



Source: Parks Associates

While OTT is contributing to the pay TV decline, it was also its saving grace in the third quarter as the top publicly reported vMVPDs (which are delivered via OTT) saw additions of 900,000 subscribers in the quarter, which LRG states was the third biggest quarter of growth for vMVPDs on record.

Based on estimates, at the end of Q3, cable had 38.6 million total subscribers and satellite 24.8 million total subscribers, while vMVPDs now have more than 8 million subscribers.

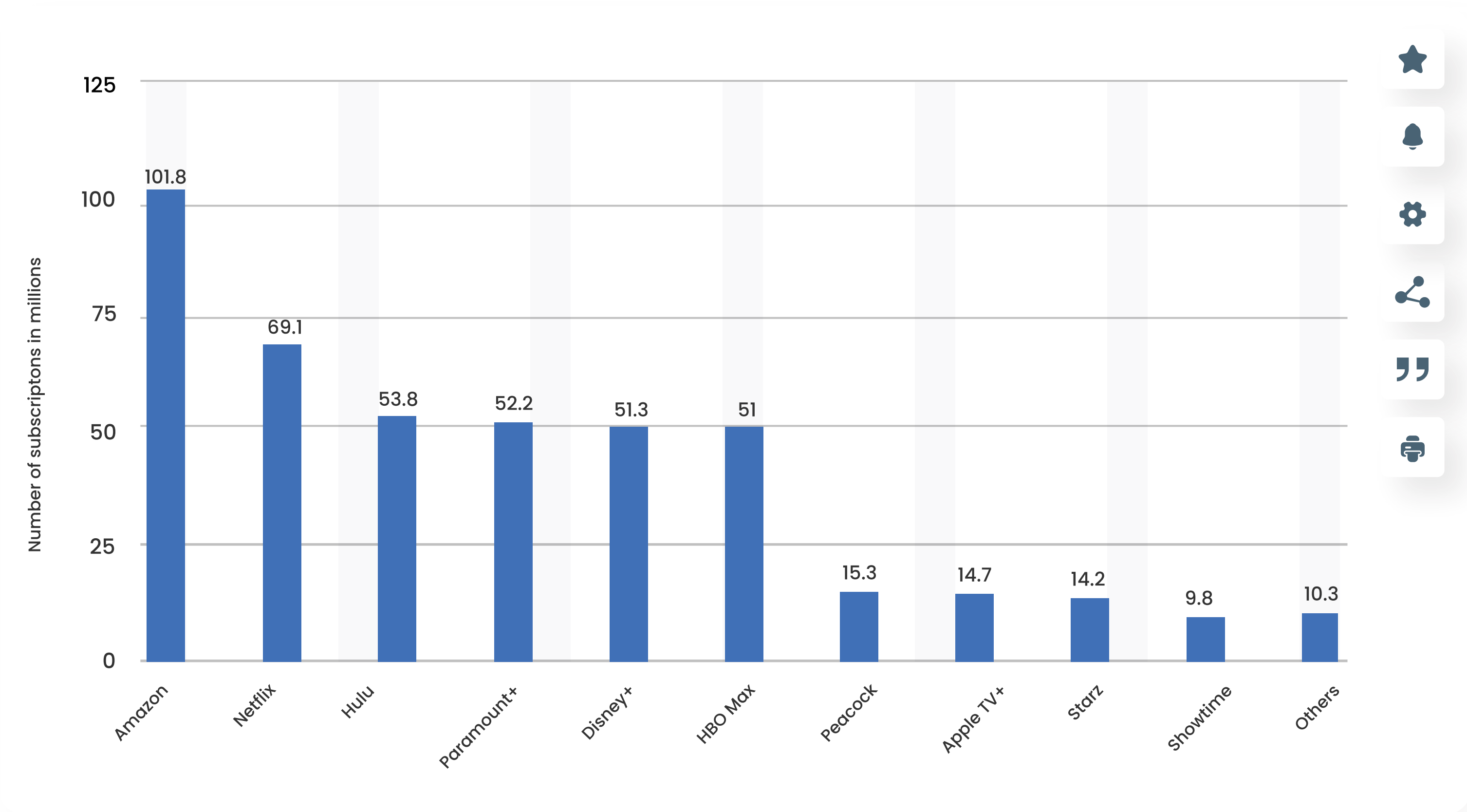
SVOD Market

Premium or Subscription video services (without ads) are now used by an impressive 82.9% of US households, according to the Kantar Entertainment on Demand research for Q2 2022. This is a notable 1.5% increase from the first quarter of the same year.

Despite economic worries and inflationary pressures, The Digital Entertainment Group reports that SVOD spending was up 17% year-over-year in Q3 2022. Additionally, year-to-date spending on SVOD services for the first three quarters of 2022 was also up by 17.52% to $22.28 billion.

Number of subscriptions to selected subscription video-on-demand (SVOD) services in the United States in 2027, by provider

(in millions)



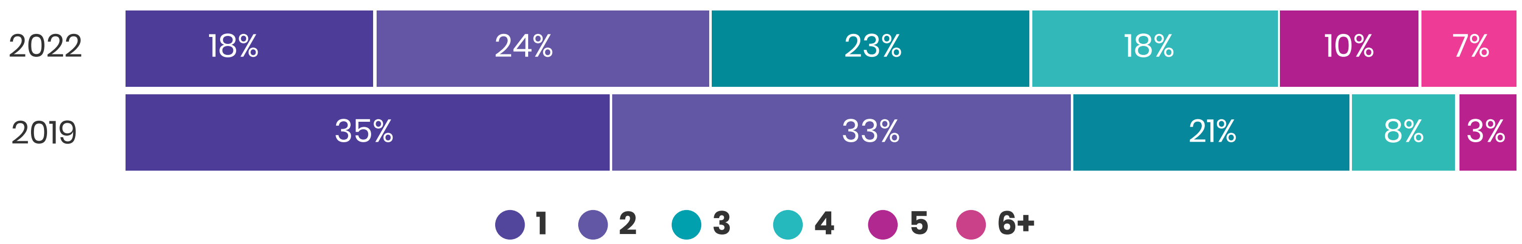
Source: Statista

While the US SVOD market is still expanding, revenue growth is expected to stabilize in the coming years. **According to Digital TV Research,** by 2024, SVOD revenues will have grown from $43 billion in 2021 to $56 billion - a 13 billion dollar increase.

However, post-2024 numbers are forecasted to remain almost flat, with only a total of $57 billion estimated for 2027. This is largely attributed to competition and lower ARPUs from Netflix and Disney's ad-supported tier. Statista predicts that the number of **SVOD subscribers in the U.S. will hit 458 million** by 2027.

58% of U.S. SVOD homes have **three or more services,** up from 32% in 2019, according to Nielsen numbers. This indicates that subscribers have not yet reached peak stacking.

Number of paid streaming services among paid video subscribers



Source: Nielsen

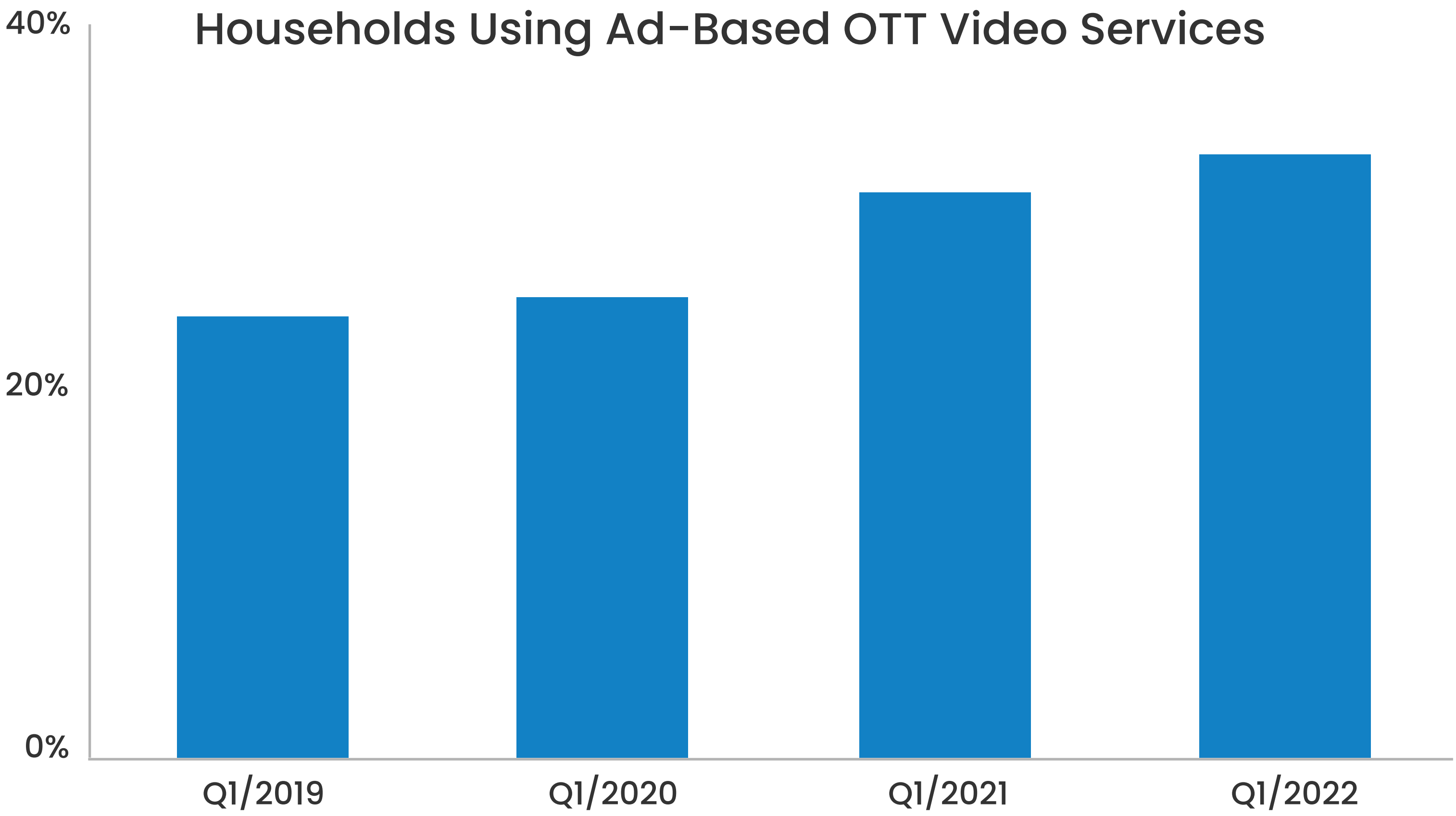
It's expected that the ad-supported tiers from Netflix and Disney+ will grow in popularity among price-conscious viewers, contributing to the continued growth of SVOD services. With rising competition in the streaming space, it will be worth watching how these services respond to bring in new subscribers and retain existing ones.

Ad-Supported Video Market

As viewers reassess their spending habits and viewing options, ad-based video streaming services (AVOD and FAST) have become one of the fastest-growing segments of the streaming video industry and show no signs of slowing down. Kantar's Entertainment on Demand Q3 analysis showed that AVOD and FAST were the sectors experiencing the most growth in the streaming market. Within the time period, AVOD and FAST services each increased by one percentage point to reach 28% and 24% household penetration, respectively. **Parks Associates** research finds that ad-based streaming services are viewed by 37 million U.S. internet households

According to **eMarketer,** the total value of TV advertising in the United States will reach $85.3 billion by 2022 and rise to more than $93 billion by 2025. Connected TV (CTV) drives this growth, with ad spending on CTV forecasted to increase by $10.1 billion (58% growth). Meanwhile, traditional pay TV ad spending is expected to decline by $2 billion (-2.9% growth).

Households Using Ad-Based OTT Video Services



Source: Parks Associates

ottx

FAST vs. AVOD

It should be noted that getting a clear and concise view of the market can be tricky as different people use different definitions for the terms "AVOD" and "FAST," sometimes interchangeably which has led to a lot of confusion in the market. To clarify, FAST stands for Free Ad-Supported Streaming Television. This is a business model that allows viewers to watch content for free, whether the content is linear, on-demand, or a mix of both. Examples of FAST services include The Roku Channel, Xumo, Vizio WatchFree, and Plex.

On the other hand, AVOD stands for Advertising Video On Demand. With this delivery method, content is available on-demand with ads, whether the service is subscription-based (SVOD) or completely free (FAST). Examples include Netflix (Basic with Ads), Disney+(Basic with Ads),, and HBO Max (With Ads), and Tubi.

Kagen forecasts that the average U.S. TV household will view 0.9 FAST services in 2022, with a rise to 1.5 by 2026. When you consider estimated AVOD homes in the U.S., this number jumps to 1.1 ad-supported services (FAST +AVOD) services per AVOD household in 2022 and rising to 1.7 by 2026.

Fast service usage trends and ad revenues per household in the US, 2020-2026

	2020	2021	2022	2023	2024	2025	2026
Average number of FAST services viewed per US TV household	0.51	0.77	0.93	1.06	1.20	1.35	1.50
Average monthly FAST ad revenue per US TV household ($)	0.84	1.81	2.54	3.21	3.93	4.69	5.55
Average number of FAST services viewed per US AVOD household	0.65	0.96	1.12	1.24	1.39	1.55	1.70
Average monthly FAST ad revenue per US AVOD household ($)	1.08	2.25	3.04	3.74	4.51	5.30	6.16

Data compiled September 2022.
Fast = free ad-supported TV

Estimated ad revenues are for free, ad-supported streaming platforms offering both streaming channels and on-demand films and TV episodes. Ad revenues are for those generated by pre-roll, mid-roll and end-roll ads and do not include static home screen ads, banner overlay ads, or brand/sponsorship revenues. Revenues from other free video platforms such as Youtube that primarily offer on-demand content and social video platforms such as TikTok are not included.
Source: Company data; industry data; Kagan estimated
Kagan, a media research group within the TMT offering of S&P Global Market Intelligence.

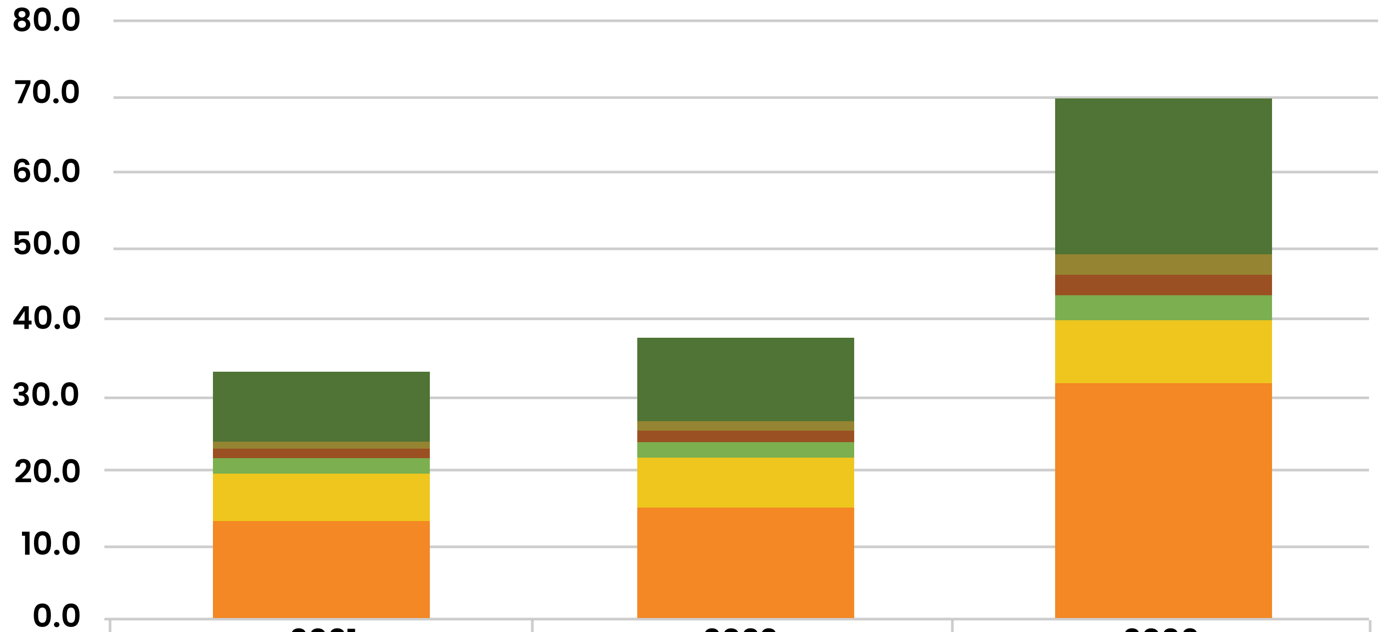
Source: S&P Global Market Intelligence

AVOD Market Summary

Thanks to the hybrid rollouts of Netflix and Disney+, Digital TV Research forecasts that U.S. AVOD revenues will grow from $12.9 billion in 2021 to **$31 billion by 2027**. In 2027, the US will make up 46% of the world's total, compared to 39% in 2021.

Thanks to the hybrid rollouts of Netflix and Disney+, Digital TV Research forecasts that U.S. AVOD revenues will grow from $12.9 billion in 2021 to $31 billion by 2027. In 2027, the US will make up 46% of the world's total, compared to 39% in 2021.

AVOD revenues by top five countries ($b)



	2021	2022	2026
Others	9.8	11.2	21.4
India	0.8	1.0	2.4
Japan	1.5	1.7	3.0
UK	1.6	1.8	3.1
China	6.4	6.6	8.3
USA	12.9	15.3	31.9

Source: Digital TV Research

FAST Market Summary

FAST has taken the TV industry by storm in recent years. After Paramount's purchase of Pluto TV and Fox's acquisition of Tubi in 2019 and 2020 respectively, network owners, tech companies, multichannel distributors, broadcasters and TV manufacturers are all joining the FAST bandwagon to get a slice of the rapidly growing revenue pie.

A **recent report from Tubi** suggests that FAST audiences will likely surpass SVOD in 2022. FAST ad revenues in the U.S. are projected to grow significantly from $2.83 billion in 2021 to $3.97 billion by 2022 - an increase of 40% per Kagan, the media research division at S&P Global Market Intelligence. Although annual growth rates will become slower, they might reach 20% by 2026 with the help of consumers transitioning from traditional pay TV to streaming.

Total FAST revenues are expected to grow at a 22.0% compound annual growth rate over the next four years, reaching $8.8 billion by 2026, at which point monthly ad revenue per household may reach $5 or $6 dollars.

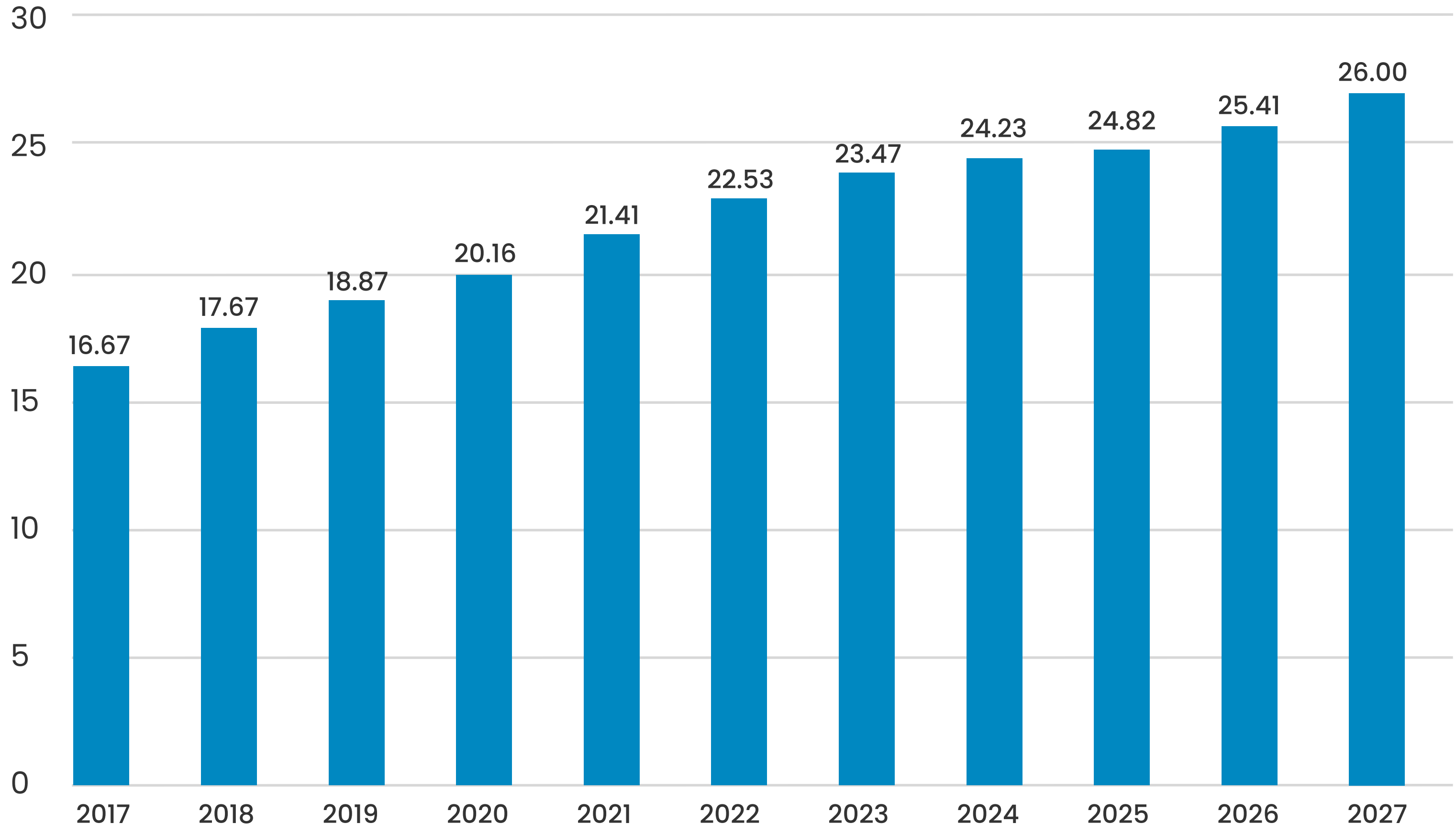
Kagan projects Pluto TV, Tubi, and Peacock to account for a combined two-thirds of total FAST revenues in 2022 and for each year through 2026.

Transactional VOD Market

The TVOD market has remained relatively flat compared to its SVOD, AVOD, and FAST counterparts. The value of the TVOD market in the US is projected to reach **$2.1 billion in 2022.** The market is projected to grow at a compound annual growth rate (CAGR) of 5.56% from 2022 to 2027, resulting in a market volume of $2.76 billion by 2027.

The TVOD market still represents an attractive opportunity for content providers and streaming services. With a projected ARPU of $22.53 in 2022, the potential for monetization is considerable, making it an important factor to consider when mapping out future strategies.

AVERAGE REVENUE PER USER



Most recent updated: Nov 2022

Source: Statista

In terms of user numbers, the segment is expected to amount to 106 million users by 2027. User penetration will be 27.9% in 2022 and is expected to hit 30.8% by 2027.

TVOD can be broken down further into Electronic Sell-Through (EST) and Download to Rent (DTR) models. EST customers pay a one-time fee for permanent access to the content, whereas DTR customers pay a lower fee for limited access (usually 48 hours).

Omdia's biannual Consumer Research Spotlight Service surveys even found that demand for EST and VOD has been growing among 18–24-year-olds.

As shifting windows has put pressure on the home entertainment sector and more streaming services look for ways to diversify their revenue models and shifting windows, putting pressure on the home entertainment industry, TVOD stands to gain traction. By blending with other business models, TVOD can complement existing services and provide audiences with comprehensive access to unique catalogs.

The success of Google/YouTube and Amazon Prime Video has shown that when business models are blended together under one platform, it can result in new users and growth. According to Omdia, 75% of AVOD users also engage in TVOD, which suggests there is potential to capitalize on this interest.

Cinedigm recently announced its partnership with ROW8 to integrate the ability to rent recently released theatrical films on the platform in the coming months. This deal will allow Cinedigm's upcoming theatrical titles to be rented or purchased on other platforms through ROW9's multi-platform streaming service. With this new venture, Cinedigm is well-positioned to capitalize on the potential of the TVOD market and drive growth for its streaming service.

Content Remains King in 2022

It's obvious that original content is key to service differentiation and attracting new viewers. Since Netflix dropped its first original House of Cards in 2013, we've been in a content gold rush where streaming services are spending more on original programming annually than the GDP of several nations. And it makes sense. Not only are originals great for luring new viewers, but they can help save money in the long run.

Original content will remain a key weapon in any streaming service's arsenal. Despite industry cutbacks, **Ampere Analysis reports** that major streaming services, including Netflix, Apple TV+, Disney+, Amazon, and HBO Max, will collectively spend more than $23 billion on original content in 2023, approximately 10% more than this year's spend, and more than twice what these companies spent in 2019. And while this spending may seem counterintuitive during an economic downturn, perhaps now's not the time to dial back as increasingly fickle consumers are being more careful with their spending.

While all of that should come as no surprise, the biggest story over the last 24 months and trend to watch is FAST platforms continuing their foray into the originals game with Tubi, Roku, and Amazon's FreeVee (née IMDb TV) having released more than 100 original titles in the past two years. For the most part, FASTs typically and solely relied on library content. Crackle has been the exception, offering its own originals since its launch in 2010.

The service, now owned by Chicken Soup for the Soul Entertainment, continues to release about one new series per month. **According to Ampere estimates**, Tubi has seen its monthly engagement grow by 164%, between Q3 2020 and Q3 2021 when it launched 20 original titles. In the company's recent NewFronts presentation, Tubi unveiled that it will release more than 100 new original shows and movies to its service within the next twelve months.

After originally insisting in 2019 that **it had no plans** to develop its own content, Roku has since leaned heavily into originals, which started with the acquisition of the content library of failed short-form and short-lived, mobile-first streamer, Quibi, in January 2021, giving Roku approximately 75 titles now labeled as "Roku Originals."

And while a case can be made that these titles aren't actual original content, it's exclusive to Roku nonetheless. Later in 2021, Roku struck an exclusive pay-one window deal with Saban Films, which saw a select slate of 2021 movies stream free exclusively on Roku's ad-supported service, The Roku Channel.

The company is committing to producing more than 50 original shows over the next couple of years, including its first original film, Zoey's Extraordinary Christmas, and the recently released WEIRD: The Al Yankovic story starring Daniel Radcliffe and Evan Rachel Wood, which Roku said is the most-watched movie on The Roku Channel.

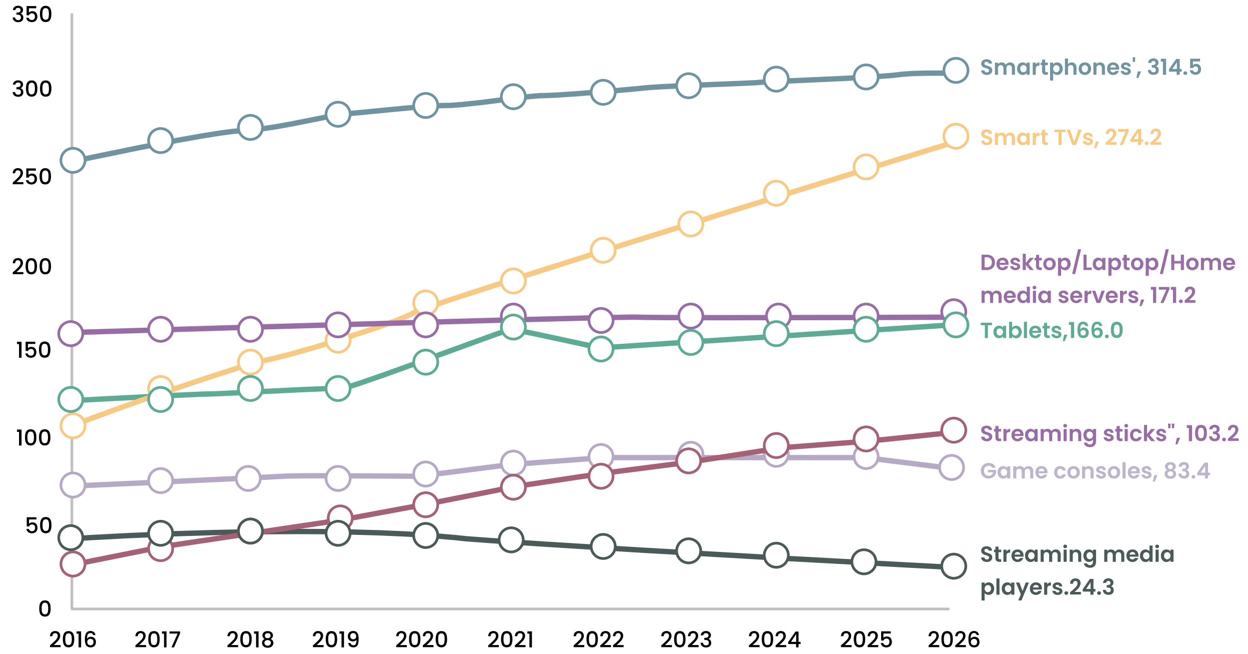
So can pure-play FAST services support comparable content investments as their SVOD counterparts? It's still too early to tell as these services don't generate nearly the same revenue.

While Pluto TV does not have its own originals, but rather exclusive syndicated content from its parent, Paramount Global, let's use them as an example. Pluto TV just recently reached 72 million monthly active users and the service brought in more than $1 billion in revenue.

CTV and Mobile Device Market

The number of streaming-video-capable devices in the U.S. is expected to **exceed 1.1 billion by 2025**, according to S&P Global Market Intelligence. The growth is attributed to a burst in smart TV sales, which increased from 107.7 million sets in 2016 to 191.8 million sets in 2021 and are projected to reach 274.2 million by 2026.

US internet-connected video device installed base, 2016 to 2026 (M)



Data compiled October 2022.

1. Smartphones are represented by total estimated subscriptions.
2. Excludes enterprise desktops, laptops and tablets.
3. Devices that plug directly into a TV or monitor that are designed for online content viewing, such as Chromecast and the Fire TV Stick.
4. Game consoles connected to the internet such as the Sony PlayStation 4, Microsoft Xbox One and Nintendo Switch.
5. Internet-connected standalone set-tops designed for online video viewing such as AppleTV and Roku players.

Sources: Industry data; Consumer Insights surveys, Kagan estimates.

Source: S&P Global

Streaming media players and streaming sticks remain popular options, with **44% of U.S. households** owning a smart TV and a standalone streaming device finds a Hub Entertainment Research study.

However, as smart TV operators continue to zero in on their proprietary FAST offerings such as Samsung/Samsung TV Plus, Vizio/WatchFree, Roku/The Roku Channel to independents, including Foxxum/rlaxx TV and Tivo/Tivo Stream, the need for external streaming devices may be offset as users are given more options to watch content directly from their TV.

S&P expects declines for streaming sticks and players in the near term but still sees potential in these devices as a low-cost way to upgrade older TV sets.

Game consoles are expected to remain steady over the forecast period. S&P sees a smaller decline in store for game consoles. Their numbers are expected to rise from 84.5 million in 2021, hit a 2023 peak of 90 million, and then recede to 83.4 million by 2026.

With 303.1 million smartphones in the market and a U.S. population of about 333 million, the smartphone installed base will now track population growth. As a result, S&P expects just 1.1% CAGR for that category through 2026.

Computers and laptops, a respective 168.4 and 164.1 million penetration in 2021, will near flatline over the next five years. However, both categories are expected to remain at high levels in terms of installation base.

Challenges Facing the Streaming Video Industry

Retention

The same convenience that turned the OTT market into a billion-dollar industry has also led to one of its biggest challenges. Just as consumers can watch what they want, how and when they want, they can just as quickly cancel their subscriptions on a whim.

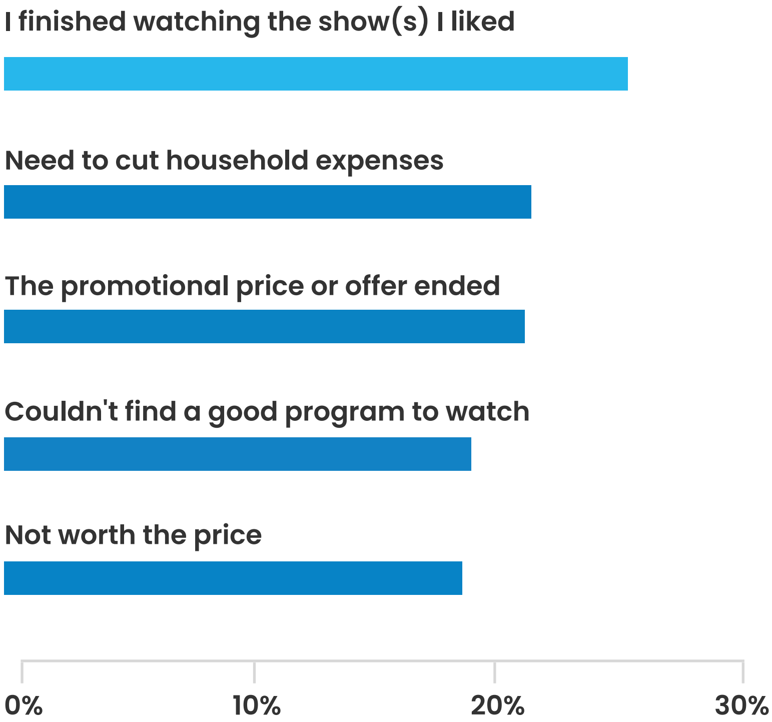
The first act in the "streaming wars" was to gain subscribers, and the next will be just as vital: keeping them. Churn measures the percentage of customers who leave a service over a specific period. Parks Associates released data that in the first quarter of 2022, **OTT subscription services had a 48% churn rate,** an alarming increase of 10% from only two years prior.

Based on these numbers, it's not surprising that SVOD providers are introducing lower-cost ad-supported tiers. And it should be noted that while churn is most often discussed in the context of SVOD, it equally affects AVOD and FAST services.

Whether funded by subscriptions, ads, or a mix of both, when customers leave and don't return, it impacts customer lifetime value (CLV) and average revenue per user (ARPU), arguably the most important metrics in the streaming business.

According to Parks, the number one reason customers cancel a service is that they have consumed all of the content they wanted.

Top Five OTT Churn Triggers



Source: Parks Associates

Service Hopping

Approximately **40% of viewers** finish an entire season's worth of episodes within the first five days after its initial release. This voracious appetite for content combined with the ease of signing up and canceling subscriptions has led to a phenomenon known as "service hopping," where viewers sign up to view one show, then cancel the service and move on to the next one.

On average, **30% of SVOD subscribers** cancel their subscription or switch to another service within any given two-month span, according to Ampere Analysis. Although most users who leave do not return within the first two months, 14% of customers eventually return during that period. TiVo found that **24.3% of AVOD users** will spend an average of three months watching a new AVOD service before leaving for another.

Looking Ahead

Regardless of the business model, providers will have to increasingly focus on customer retention and churn prevention. With so much money being invested into content and services, providers must understand what drives customers away and how they can create experiences that provide long-term loyalty and value. In a world of abundant choice, standing out as an indispensable service.

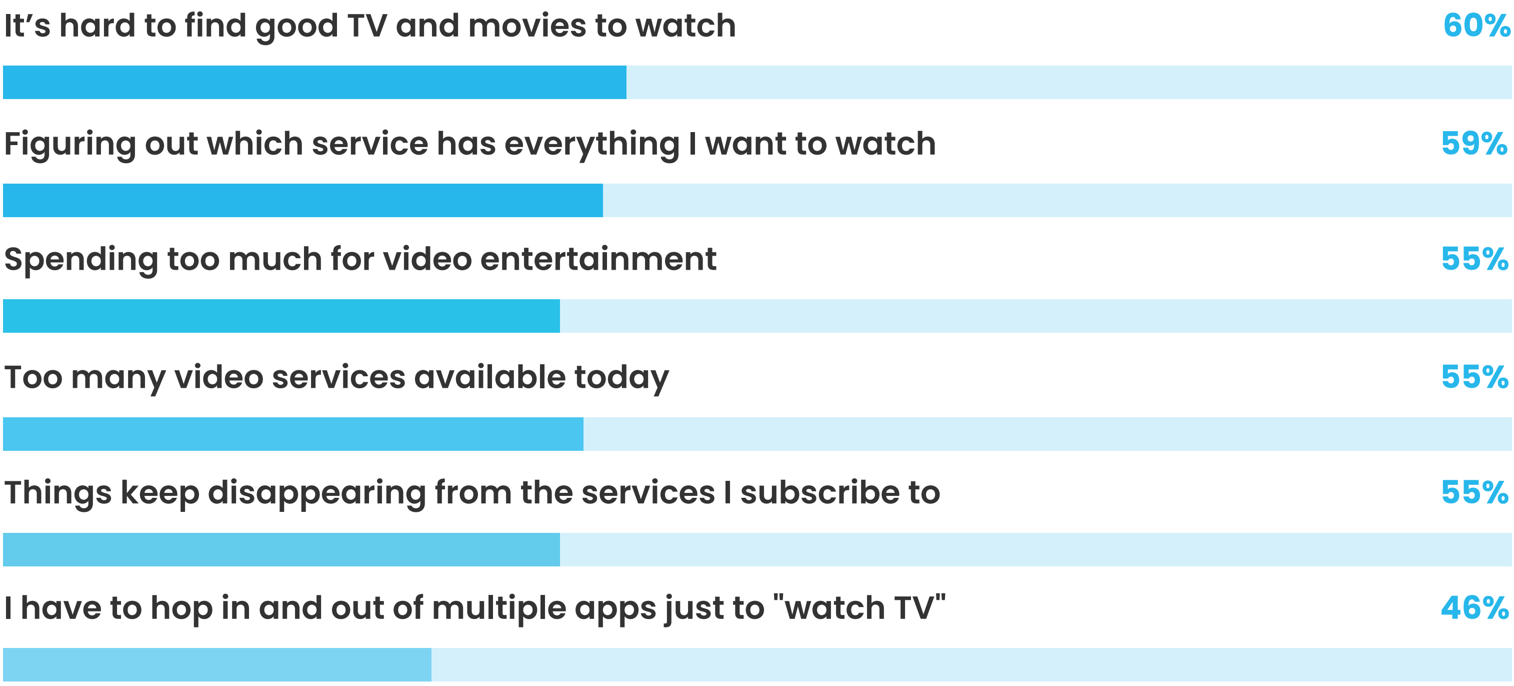
By leveraging technology, analytics, and creative strategies, streaming providers can proactively manage churn. Effective use of data will be the key for services to better understand their customers and create experiences that keep them engaged and looking forward to what's next. This will enable them to build relationships with customers that last over time and ultimately drive higher revenues.

Content Discovery & Universal Search

The average U.S. home has access to more than 11 years of streaming content across hundreds of SVOD, AVOD, and FAST services. Finding what to watch has never been more challenging. According to TiVo's latest **Video Trends Report**, content discovery is the number one consumer pain point.

Top Five OTT Churn Triggers

Percentage of total respondents could choose more than one option

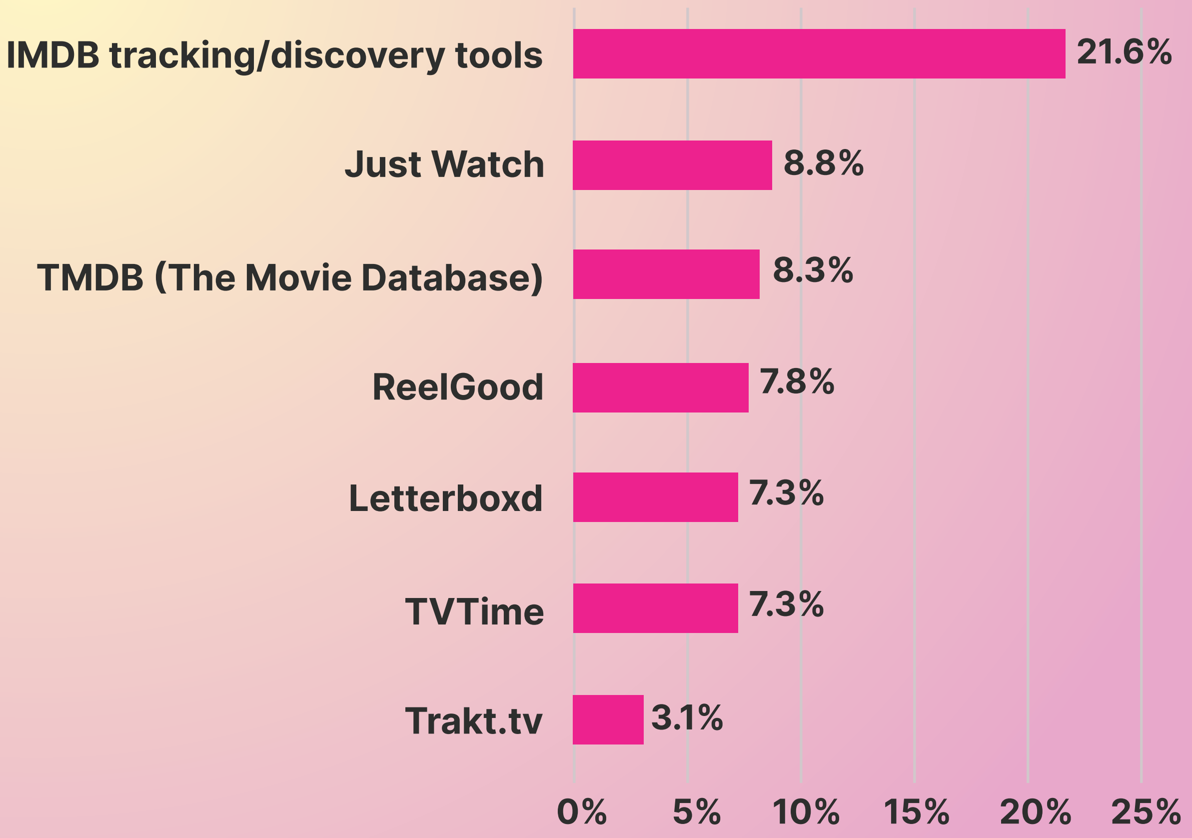


According to Hub Research, the proportion of people who agree that they want a "universal listing to find shows from any source" **has increased to 61% in 2022.** Accenture has even gone so far as to predict that people will become **less willing to spend money on video** content, worsened by things such as inefficient bundles, hard-to-use interfaces, and recommendation engines that can't remember everything you watch or help you find it again.

29% of TiVo's Video Trends report respondents rely on video discovery companions such as JustWatch, Reelgood, and Whip Media's TV Time. In April, Plex launched a new feature within its app, rightfully called "Discover."

Top Video Discovery Companions

Percentage of total Respondents (Could Choose More Than One Option)



29% of respondents noted using a video discovery companion in Q2.

Source: TiVo

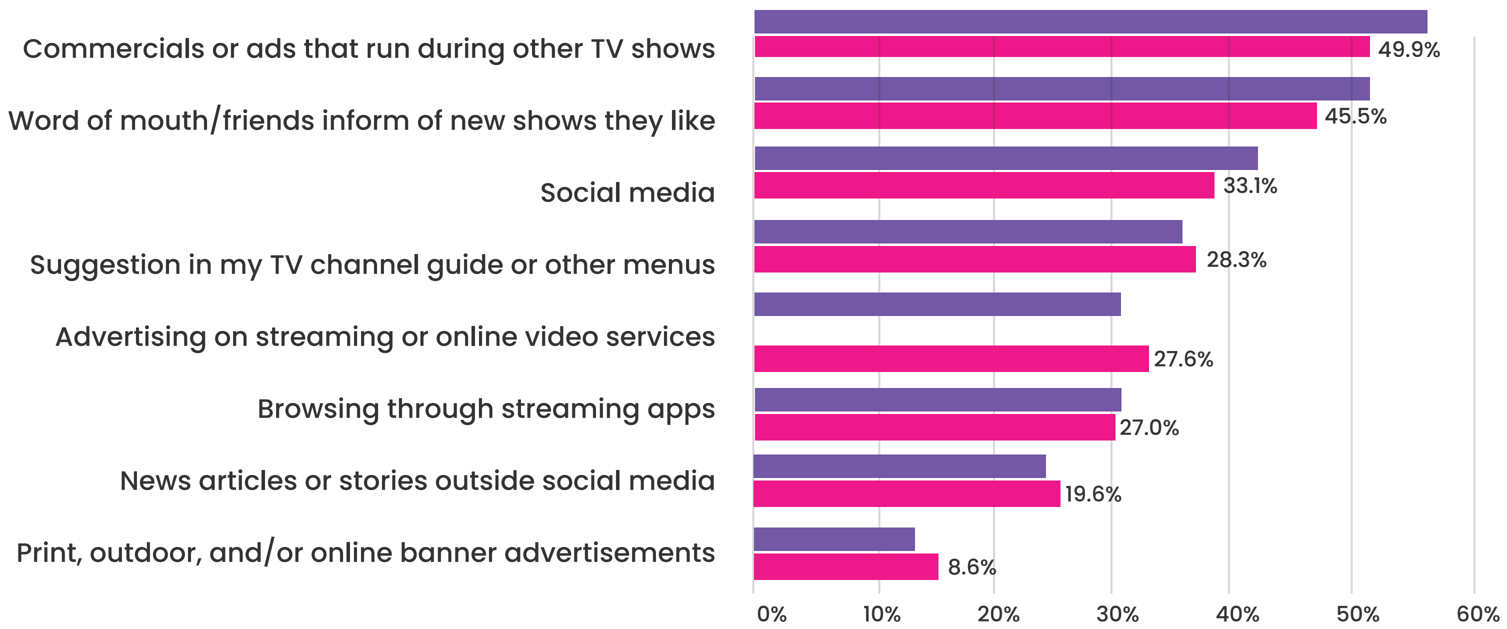
Another company solving the broken and fragmented search is Universal Search and Discovery (USAND), A B2B company tackling the problem of universal search head-on, servicing streaming services and working with CTV platform operators.

Looking Ahead

When it comes to content discovery, fragmentation is still a significant problem. It makes sense for platform operators to work together to develop an open-source universal search, but frankly, they have no incentive to do so. This will require independent companies like the ones mentioned above to fill the void. In the meantime, streaming services can leverage commercials to promote new shows in a similar fashion as broadcasters have done for years, which TiVo, found to be the best way to drive tune-in.

In Q2 2022, respondents discovered new TV shows and/or movies through the following: Q4 2021 Q2 2022

Percentage of Total Respondents (Could choose more than one option)



Source: TiVo

Content Distribution Mix

A challenge for media companies is striking a balance between investing in streaming growth and maximizing profits by selling content to third-party distributors. With the rise of new digital distribution channels, including FAST platforms and subscription aggregators in addition to TVOD and pay TV, media companies must consider how to channel resources into creating innovative streaming options for their audience while at the same time leveraging existing content distribution networks to ensure maximum financial returns.

Netflix, Prime Video, and Apple TV+ have opted to continue their direct-to-consumer streaming models. The only exception is certain movies, which may have a brief, limited theatrical run prior to streaming.

Similarly, Disney chooses to keep its content for internal use. However, it has to decide what content it reservices for its streaming services, what goes to broadcast or cable before streaming, and what its theatrical releases look like.

On the other hand, Sony and the other "arms dealers" have succeeded by taking advantage of the increased demand for content, licensing/selling their titles to multiple third parties.

Looking Ahead

While direct-to-consumer streaming may be the holy grail for media companies, sticking a balance between product and distribution will likely continue to remain the most profitable approach. Companies must consider what their strategy should be in terms of investing in streaming growth, monetizing existing content, and leveraging third-party digital platforms.

In 2023, media companies will need to be flexible, diverse, and open to experimentation to stay ahead of the competition. By diversifying their business models, content distribution mix, and keeping up to date with market trends, media companies can ensure that they maximize the profitability of their content.

Upcoming Events (Date may Change)

Jan 5

OTT.X at CES in Las Vegas

Feb 2

OTT.X Salon in Miami

Apr 4

OTT.X Roundtables in NYC

April 15

NAB Cocktail Reception in Las Vegas

May 23-24

OTT.X XFRONTS in Los Angeles

June 25

OTT.X Roundtables in Los Angeles

Aug 30-31

OTT.X Summit: Market and Conference and More in Los Angeles

Sept 28

OTT.X Salon in NYC

Oct 17

OTT.X Salon in Los Angeles

Nov 9

OTT.X ONLINE LIVE Virtual Conference

Dec 5

OTT.X Diversity Summit in Los Angeles

Dec 5

OTT.X Social Impact Awards in Los Angeles

Board of Directors

Executive Committee

Cameron Douglas
Chair, Fandango

Erick Opeka
Vice-Chair, Cinedigm

Michele Edelman
Treasurer, Premiere Digital Services

Rich Hull
Secretary, Televisa Unvision

Jason Peterson
Godigital Movie Group

Katherine Pond
VIZIO

Jill Allen
Sony Pictures Entertainment

Elissa Brown
Movies Anywhere

Paul Colichman
Here Media

Jude Fitzmorris
Amazon

Marty Graham
ComScore

Philippe Guelton
Chicken Soup For The Soul

Srinivasan Ka
Amagi

Anthony Layser
Xumo

Silvana Moretti
Unaffiliated

Quincy Newell
TwentyOne14 Media

Craig Seidel
Pixelogic Media

ottx

About OTT.X

Allow Us To Introduce Ourselves - OTT.X is a community of companies and individuals blazing new trails in OTT distribution & the streaming landscape.

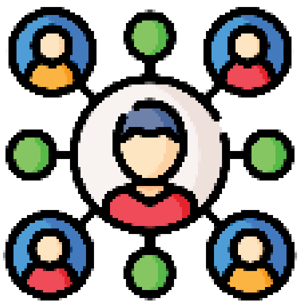
OTT.X is the not-for-profit trade association that has been supporting the home entertainment industry for over 30 years. Our members form a global community of organizations throughout the OTT streaming industry and include content, service and technology providers, channels, platforms, and retailers.

Through our live and online industry marketplaces, cross-industry business initiatives, leadership development seminars, industry conferences, and community gatherings, we facilitate a vibrant ecosystem of organizations continually advancing the consumer experience and business of delivering audio-visual entertainment through OTT technologies.

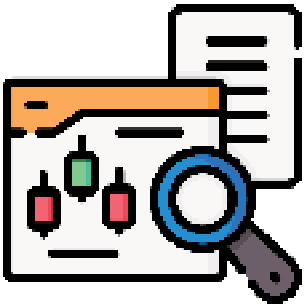
What do we do?

Networking & Events

Through our live and online industry conferences, marketplaces, roundtable discussions, salons, and other community gatherings, we facilitate a vibrant ecosystem of organizations continually advancing the consumer experience and business of delivering entertainment through OTT technologies.



Research & Insights



Through research institutions and industry thought leaders' studies, white papers, and research findings.

Research, insight, and timely topics are at the core of our Research roundups, Wednesday Webinar Series, Leadership Development Foundation Series, and conference presentations.

Cooperative Initiatives

Through our member and, when appropriate, non-member common interest groups that unite for cross-industry business initiatives that aim to push the industry forward, solve common pain points, create uniform standards, and enhance the OTT consumer viewing experience.

Contact Us

Mark Fisher
President and Chief Executive Officer

mfisher@ottx.org

Eric Hanson
Executive Vice President

ehanson@ottx.org

Steven Apple
Vice President, Industry Sales

sapple@ottx.org

Jose Rodriguez
Manager Event Operations and Communications

jrodriguez@ottx.org

Closing Thoughts

The media industry continues to evolve rapidly. To stay ahead of the competition, companies must be flexible and agile and must be willing to test and experiment. Business models, windows, and distribution mix can't be maintained stagnant if profitability is going to be maximized.

And keeping up with market data and information will be critical to understanding what works and what doesn't. We're looking forward to seeing what the industry has in store as we move toward

A MORE GLOBAL, EGALITARIAN, AND DIVERSE OTT.X INDUSTRY IN 2023!

We are sure that you'll find or even create a Common Interest Group (CIG) of professionals within our membership with similar interests to yours. We hope you will become a part of our flourishing OTT community.