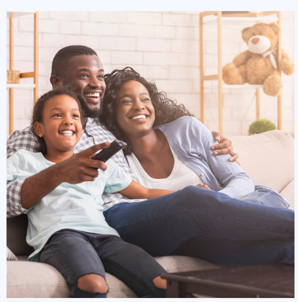
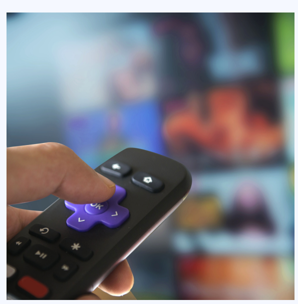
INDUSTRY REPORT 2023-2024





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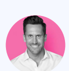

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Introduction

As we unveil the latest OTT.X Industry Report, it's clear that the OTT landscape is in the midst of a remarkable transformation, shaped by evolving consumer habits, technological advancements, and strategic shifts in content distribution and monetization. This year has been a testament to the resilience and adaptability of the industry, highlighting significant trends that are redefining how we engage with digital content.

The streaming universe continues to expand, with an array of services offering an unprecedented breadth of content, from niche genres to blockbuster exclusives. This diversification drives a more personalized and enriched viewing experience, catering to a global audience's unique tastes and preferences. The rise of hybrid models combining subscription, ad-supported, and transactional elements reflects the industry's response to a more discerning and diverse consumer base.

Technological innovations, particularly in Artificial Intelligence and machine learning, are revolutionizing content discovery, protection, and delivery. These advancements enhance user engagement and open new avenues for content creators and distributors to optimize their offerings and reach wider audiences.

As OTT.X continues to be at the forefront of these industry changes, our commitment to providing our members with in-depth analysis, data-driven insights, and forward-looking perspectives remains steadfast. This report offers a comprehensive overview of the OTT market and identifies emerging trends and opportunities to shape its future.

We invite you to delve into this report, which encapsulates a year of growth, challenges, and innovation in the OTT sector. Let's explore the dynamics of this ever-evolving industry and envision the exciting possibilities as our industry and our Association continue to become more egalitarian, global, and diverse.

Mark Fisher
President and CEO, OTT.X

The Purpose of this Report

Welcome to this year's OTT.X Industry Report. As the founder of 43Twenty, I'm proud to present this comprehensive resource crafted by my team and me. We've combined our deep understanding and passion for the streaming industry with expertise in content creation and thorough industry analysis. We aim to provide a report that is not just an analytical tool but a practical guide, offering valuable insights for seasoned professionals and OTT newcomers.

At 43Twenty, we stand at the forefront of the streaming video landscape, bringing our expertise in SEO content marketing to B2B technology companies and service providers within the entertainment sector. Our mission is to elevate brand visibility, foster lead generation, and drive revenue growth through our specialized services:

- **Content Marketing:** We produce content that bolsters visibility and cements thought leadership, from blog posts and web copy to gated assets, newsletters, infographics, and webinars.
- **SEO:** We ensure high visibility in search engine results, turning searchers into leads and customers.
- **PPC:** Our team excels in creating targeted, high-ROI paid advertising campaigns on platforms like LinkedIn and Google, delivering measurable results.

This report is the culmination of diverse data sources, each with its unique methodology. We have meticulously synthesized this data to present a representation of the industry's current state, focusing on providing insights that are not just data-driven but strategically actionable.

As we examine this report, we aim to arm industry leaders with essential insights and tools for success in a rapidly evolving digital environment. Thank you for choosing this report as your guide, and I trust it will provide valuable perspectives to inform your strategies in the OTT industry.

Best regards,
Kirby Grines
Founder, 43Twenty

Simplifying the OTT Video Industry +++

The video entertainment industry has an almost unique knack for making things more complicated than it needs to be. Many terms, some overlapping or seem almost interchangeable, have created an environment rife with confusion—even among industry insiders. As we navigate this evolving landscape, it's crucial to understand what we're actually talking about and that we’re on the same page. Thus, we'll include this section in our annual reports until universal clarity.

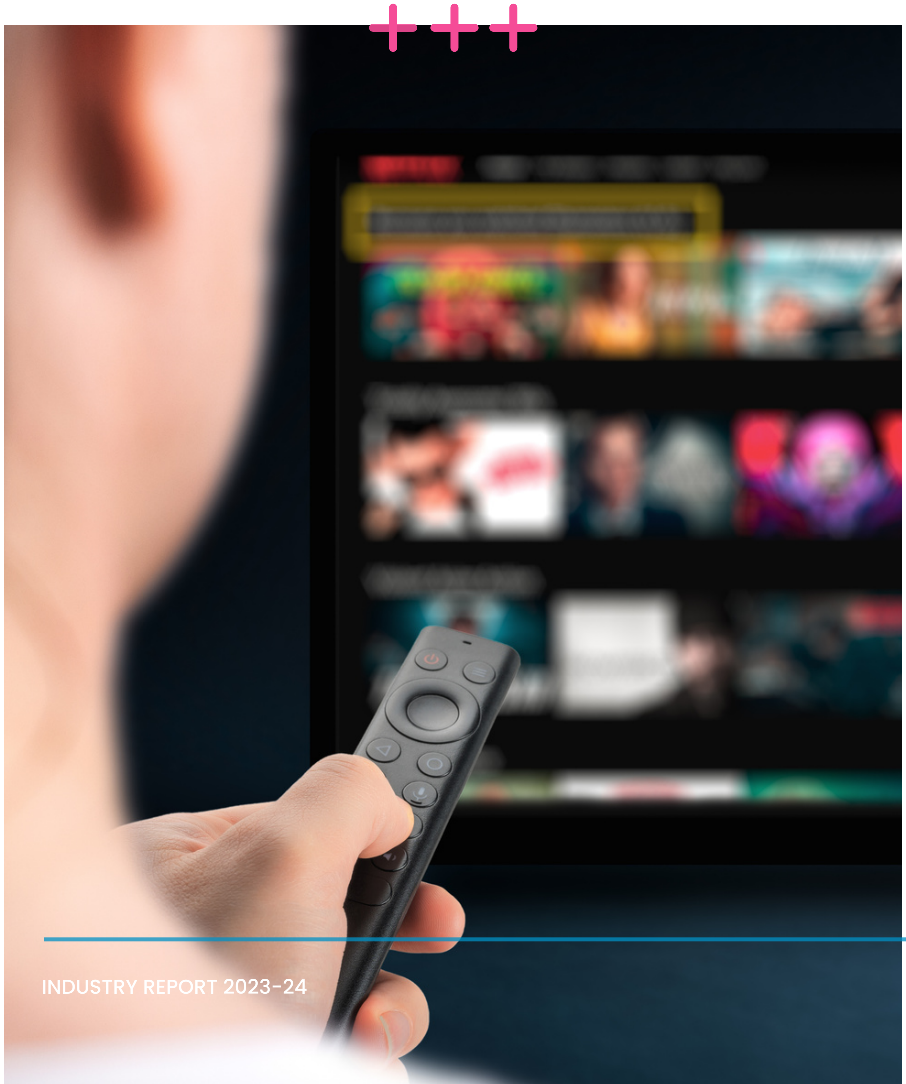
Business Models vs. Distribution Models

Let's categorize the various terminologies we all know and love into two primary buckets: **Business and Distribution Models.**

Business Models

FAST (Free Ad-Supported TV): This is a business model where the service provides programming for free. Pay close attention here. FAST services offer both linear channels and on-demand options, all monetized through advertising.

Subscription-Based: Here, the service charges a subscription fee for access to content, which can include live events, on-demand shows, and even linear channels. This content can be ad-free and/or ad-supported.



Transactional: In this model, users pay per individual piece of content—be it a movie, a TV episode, or a live event—instead of a recurring fee.

It's crucial to understand that these business models are not mutually exclusive. The future is trending toward a hybrid approach, offering a blend of subscription-based, ad-supported, and transactional content, catering to various consumer preferences and use cases, ultimately enhancing profitability.

In this report, we're primarily going to focus on business models. But before we do, let's look at distribution models.

Distribution Models

On-Demand: This is a way of delivering programming that is available on demand and includes ads. It could be a part of various business models, either free or subscription-based.

Linear: These are linear streaming channels, often lumped in with FAST but serving as a feature or delivery mechanism rather than a standalone business model. As more subscription services introduce linear programming to their offerings, these will become channels as opposed to FAST channels.

What's the difference between FAST and AVOD?

This is by far one of the industry's most misunderstood distinctions, and I get why. FAST and AVOD use advertising to generate revenue, yes…but they differ fundamentally.

To hammer this in, I want to reiterate that:

FAST is a **business model** focusing on providing free content to viewers. This can include both on-demand shows and linear channels. The keyword here is "free"; the content doesn't cost the viewer anything, and the service makes money from ads.

AVOD, on the other hand, is not a business model but a delivery method. It's a way of providing on-demand shows and movies that are monetized through advertising. The viewer might access this content for free or be paying a subscription fee for a broader range of services that include AVOD as an element.

Enough with the jargon…it's just TV!

Unless you're directly involved in negotiating content rights, the distinction shouldn't matter much to you. Because, in the end, what viewers care about is straightforward: they want to watch TV. They couldn't care less about how the content is delivered or monetized.

State of the Industry

Once a beacon of exponential growth and disruptive innovation, the streaming industry has entered a phase marked by critical introspection and strategic recalibration. Between 2019 and 2021, the sector witnessed unprecedented growth, fueled by the emergence of global direct-to-consumer (DTC) streaming services and shifting consumer behaviors, further accelerated by the global pandemic. However, this period of rapid expansion unveiled significant challenges that prompted a fundamental reassessment of the industry's trajectory.

In 2022, as detailed in our previous report, Netflix's unexpected subscriber dip emerged as a watershed moment. This development shook Wall Street's confidence and signaled a pivotal strategic shift across streaming services. Influenced by rising living costs and looming recession fears, studios and content providers pivoted from emphasizing sheer subscriber growth to a more sustainable, profit-driven model.

Industry-wide upheavals, including significant layoffs and dual labor strikes by the WGA and SAG-AFTRA, further challenged the subsequent period. These strikes, concluding in late 2023, led to significant changes in compensation and working conditions, highlighting the profound economic and human impact on the industry.

Profitability over Growth

In 2023, the streaming industry's pursuit of sustainability has become increasingly focused on profitability rather than aggressive expansion. This strategic shift is clearly visible in the adoption of ad-supported tiers and hybrid business models by leading platforms like Disney+, Hulu, and Peacock. By integrating ad-supported options alongside traditional subscription models, these platforms are striking a balance between the imperative to generate revenue and the need to maintain consumer affordability.

~~Cord~~ Cost Cutting and Content Trimming

A significant trend in 2023 was removing TV shows and movies from streaming libraries. This move serves as a cost-cutting measure, enabling platforms to declare these titles as financial losses, thereby reducing the obligation to pay residuals – fees typically distributed to actors, writers, directors, and other creatives when shows and films are aired. This strategy reflects a broader shift towards fiscal responsibility in an industry adjusting to new economic realities.

Password Sharing Crackdown

Streaming services have also intensified efforts to crack down on password sharing. This initiative aims to protect revenue streams by limiting content access to authorized users. Strengthening user identification measures helps curb unauthorized access, a longstanding challenge in maintaining revenue integrity.

Price Adjustments

Another strategy to bolster profitability has been increasing prices for ad-free tiers. This move creates a more significant price differential between ad-supported and ad-free options, positioning the latter as more premium and exclusive. Such price adjustments respond directly to the need for higher profitability margins in a highly competitive market.

These strategic changes are a response to the current economic landscape, characterized by increased scrutiny from investors and a focus on long-term financial viability. As streaming platforms navigate these challenges, the emphasis on profitability over mere expansion is expected to continue influencing their business decisions and operational models. This approach addresses immediate financial pressures and lays the groundwork for sustainable growth in a rapidly evolving industry.

The Aftermath of the Hollywood Strikes

The 2023 Hollywood strikes, the longest since the Reagan era, led to profound changes and uncertainty. The strikes improved conditions for writers and actors. Still, they highlighted the disparity between the earnings of rank-and-file guild members and the substantial revenues generated by studios and streaming services.

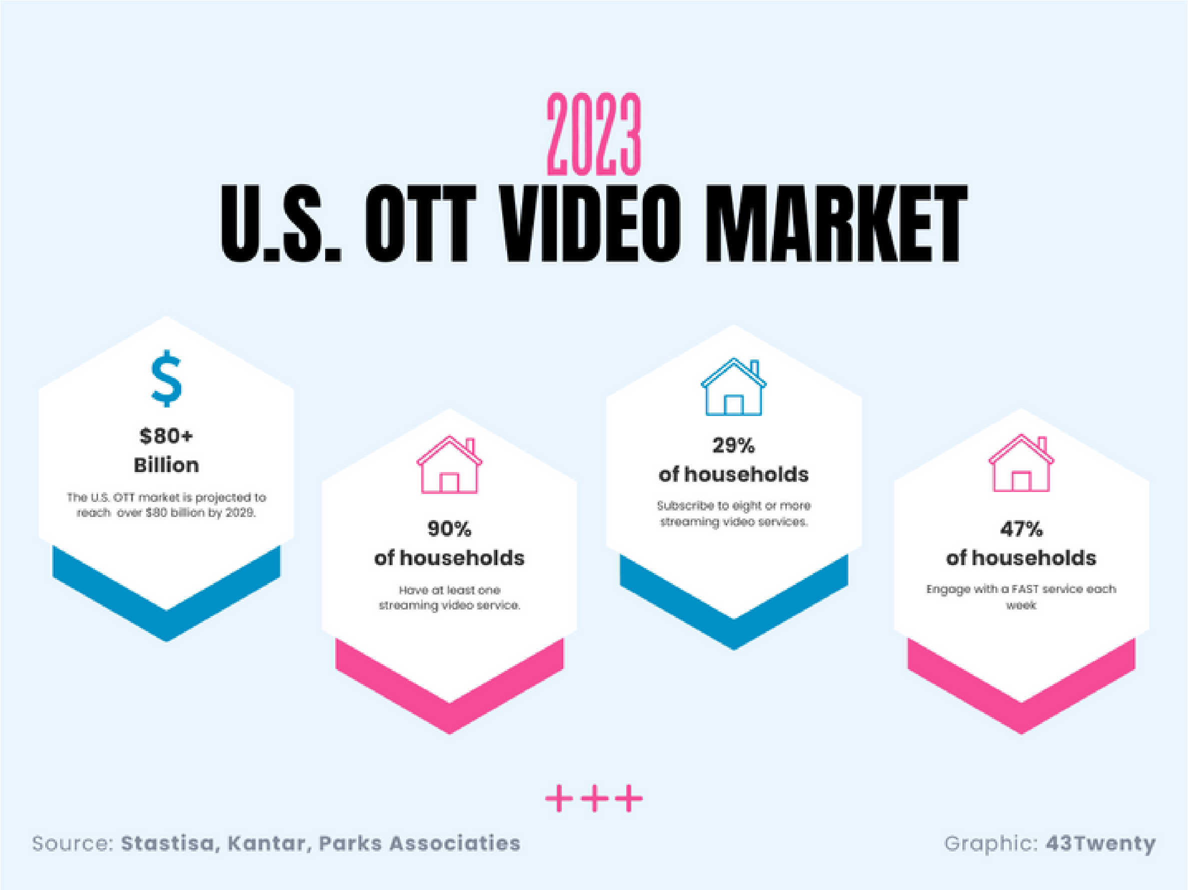
The strikes' conclusion has reinvigorated production, but the industry is unlikely to return to the frenetic pace of the streaming wars. With increased labor costs, declining TV ad revenue, and heightened scrutiny from Wall Street, studios are reassessing their strategies. This includes reducing the number of TV shows, exploring cheaper production locations, and focusing on content that resonates globally.

While the strikes have ended, the industry faces an identity crisis. It must navigate a landscape where traditional TV and film compete with digital platforms, social media, and gaming for audience attention. This competition extends to the type of content produced, with a shift away from certain genres like comedy, which now thrives on platforms like YouTube and TikTok, and a reevaluation of the efficacy of traditional talk shows and scripted series in the face of rising podcast and game streaming popularity.

The U.S. OTT Market

The United States stands at the forefront of the global OTT market, distinguished as the largest and most dynamic in the world. With Parks Associates now tracking over 350 streaming services in North America alone, intense competition and strategic maneuvering define the U.S. OTT landscape. Various platforms are continually vying for viewer attention and a larger market share, making the environment highly competitive and FAST evolving. Pun intended, indeed.

In terms of value, the U.S. OTT market is projected to reach $74 billion in 2023, with forecasts suggesting an increase to over $80 billion by 2029. Subscription video is poised to remain the most significant segment; however, ad-supported streaming is expected to demonstrate the highest growth rate.



The U.S. OTT Market (cont'd)

Market penetration and consumer adoption are strong indicators of the sector's health. Between April to June 2023, approximately 116 million U.S. households, accounting for 90% of the total, held at least one streaming video service. This data aligns closely with findings from Parks Associates, which report that 89% of broadband households have at least one OTT service, and 29% subscribe to eight or more services. Such statistics underscore OTT services' extensive reach and deep integration in the U.S. household media consumption landscape.

FAST is continuing to be a prominent player in the U.S. streaming market. As of 2023, 47% of U.S. households engage with a FAST service each week, signifying a consumer shift towards more economically viable viewing options amid broader economic uncertainties. This growth in FAST services reflects the market's responsiveness to evolving consumer demands and highlights the potential for innovative, cost-effective content delivery models in the U.S. streaming landscape.

As the U.S. OTT market continues to mature, it is clear that strategic adaptations and innovations will be crucial for platforms seeking to maintain and expand their market share. The increasing popularity of ad-supported models and the sustained relevance of subscriptions suggest a diverse and multi-faceted future for the U.S. streaming industry. This environment will likely foster further strategic mergers, acquisitions, and collaborations as platforms seek to broaden their content offerings, enhance service models, and extend their reach to global audiences. Therefore, The U.S. OTT market remains a key barometer for the worldwide streaming industry, reflecting current trends and future directions.

But Not So Fast

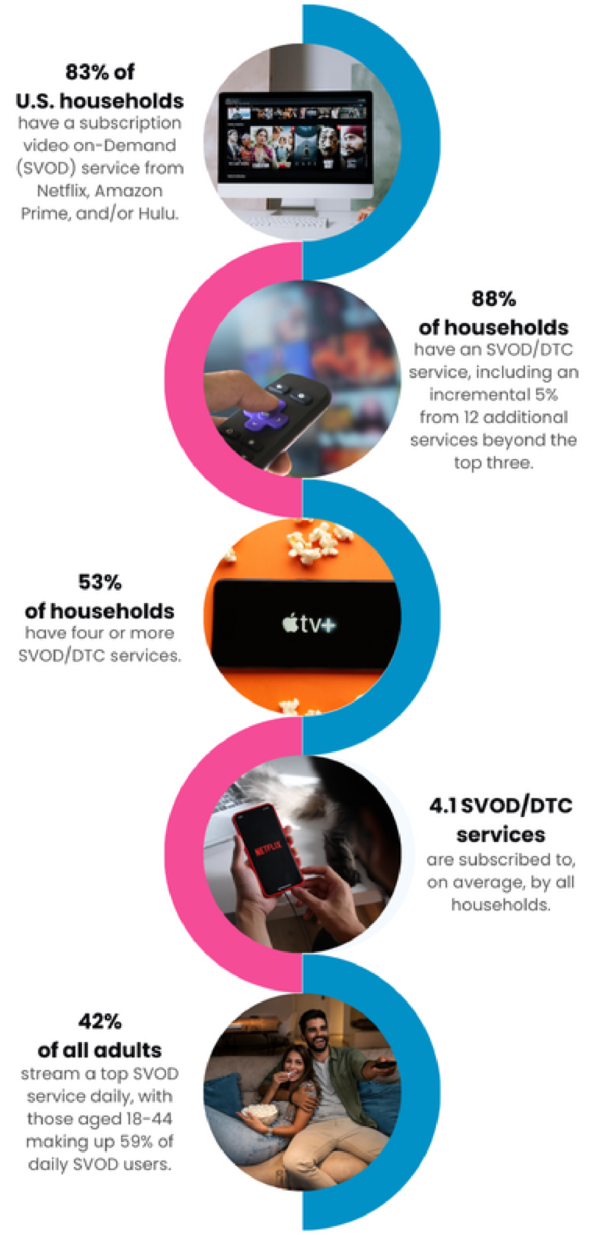
While mergers and consolidation are generally seen as inevitable pathways for growth and survival in the U.S. OTT market, the current economic climate suggests a more cautious approach. Funding large transactions has become increasingly prohibitive in an environment marked by rising interest rates and economic uncertainties. High-interest rates make debt financing less attractive, while lower market valuations dampen the appeal of equity-based deals. This financial landscape compels streaming platforms to reconsider the timing and feasibility of significant mergers or acquisitions. As a result, in the near term, we may witness a slowdown in the rate of consolidation within the industry. Instead, OTT services might continue to optimize their existing operations, explore cost-effective content acquisition strategies, and enhance user engagement. This period could be an opportune moment for companies to strengthen their core offerings and prepare for more strategic consolidation moves when the economic conditions become more favorable. Therefore, while consolidation remains a key aspect of the industry's future, the current economic scenario underscores the need for strategic patience and adaptability among OTT platforms.

In light of these considerations, discussions between Warner Bros. Discovery and Paramount Global have sparked interest, hinting at potential strategic alignments in the industry. Such a merger could consolidate streaming services — Paramount+ and Max — to form a formidable competitor against giants like Netflix and Disney+. Additionally, the potential combination of CBS News with CNN, and the blending of sports programming assets, underscores the strategic value of content and distribution synergies. Parallel to this, Lionsgate's strategic restructuring, separating its cable channel business from its film and TV studios, positions it attractively for acquisition, especially by tech giants seeking to bolster their content libraries. These developments reflect a nuanced approach towards consolidation, where strategic partnerships and restructuring are pivotal in navigating the current economic landscape.

Subscription-Based Market Overview

The U.S. subscription video market is experiencing a significant stabilization and adaptation phase. Data from the Leichtman Research Group indicates that penetration in the U.S. has steadied at 83%, encompassing 108.4 million households. This figure aligns with the pattern observed over recent years, where the dominance of major platforms like Netflix, Amazon Prime, and Hulu has plateaued, maintaining a consistent hold over the market.

Parks Associates' report sheds light on the evolving preferences of the American streaming audience. As previously mentioned, 29% of households now subscribe to eight or more streaming services, reflecting the growing diversity in content consumption. In a significant shift, more viewers now prefer tiered streaming plans, a trend that bodes well for platforms like Netflix and Disney+, which have recently adopted tiered services. Hub Entertainment's research supports this, revealing that [60% of consumers would opt for an ad-supported platform]() if it saved $4 to $5 over an ad-free service.



Source: **Leichtman Research Group**

Source: **43Twenty**

Subscription-Based Market Overview (cont'd)

Despite these developments, the subscription video market faces significant challenges. Intense competition among providers leads to slower subscriber growth, as consumers are often overwhelmed by choices and tend to select only a few services. This competition also drives unsustainable content spending as platforms strive to differentiate themselves through original content, resulting in a financial strain

In 2023, many streaming services began trimming content from their libraries as a cost-cutting measure, allowing them to write off losses at tax time and reduce residuals paid to creatives. This strategy reflects a broader trend of recalibration within the industry as platforms seek to balance content variety with financial sustainability.

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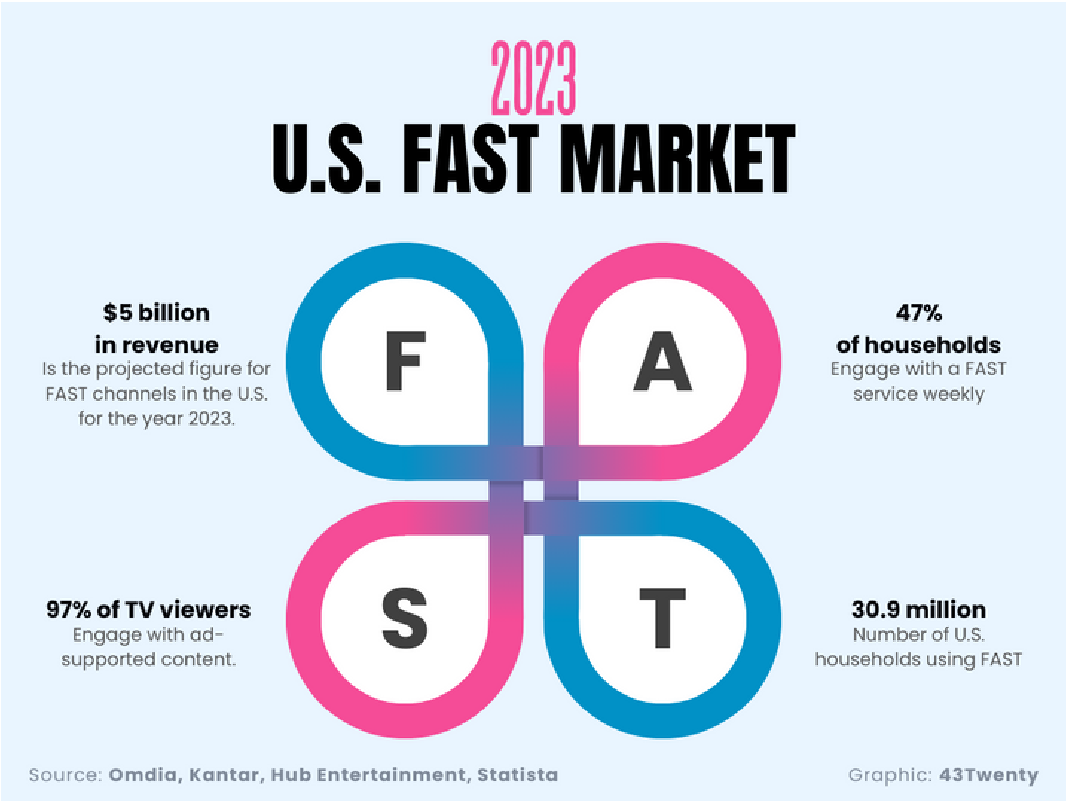
In conclusion, while the U.S. SVOD market continues to grow, it faces challenges in competition, content costs, and evolving consumer preferences. The industry's response to these challenges, mainly through tiered services and ad-supported options, will be critical in shaping its future trajectory.

These rankings, as reported by Parks Associates, reflect a market that, while saturated, continues to be dynamic.

FAST Market Overview

Free Ad-Supported TV (FAST) continues revolutionizing the American television landscape, emerging as a compelling alternative to subscription-based models and fundamentally changing viewing habits. In 2023, FAST channels are on track to generate over $5 billion in revenues in the U.S., with Omdia's research underscoring the significant financial impact and leadership role of the U.S. market. This transition is mirrored in the viewing preferences of nearly all TV viewers – 97% engage with ad-supported content, as reported by Hub Entertainment. Moreover, the influence of FAST is expanding globally, with revenue opportunities for these channels outside the U.S. projected to reach $1.6 billion by 2027, indicating not just the current success of FAST services but also their increasing global prominence in the streaming industry.



Growth Trajectory and Viewer Preferences

The growth of FAST is underscored by its increasing penetration in U.S. households. Kantar's data reveals a dramatic rise in FAST service usage, with nearly half of households regularly tuning into these platforms. This rapid expansion is partly fueled by the proliferation of smart TVs, which often come with built-in FAST services, making it an easily accessible option for viewers. The allure of free content combined with the familiarity of linear programming creates a compelling proposition for audiences accustomed to traditional TV's "always on" experience, a term first coined by O.G. FAST service, Crackle, in 2015.

Content Diversification and Viewing Patterns

FAST services are diversifying their content offerings to cater to a broad audience. This diversity is evident in the popularity of single I.P. channels, genre-specific programming, and news channels, each capturing a significant share of viewing time. The investment in original content and the entry of premium brands into the FAST space further amplify the appeal of these services. Notably, platforms like Roku Channel, Pluto TV, and Tubi have made significant strides, rivaling and surpassing traditional cable networks in monthly viewership.

Future Outlook and Industry Implications

Looking ahead, FAST is poised to play a significant role in the streaming ecosystem. Its potential to become the preferred streaming model is becoming increasingly likely, as viewers prefer free content and the convenience of linear programming. The industry response to this shift is critical, with major players like Amazon and NBCUniversal making strategic moves to strengthen their FAST offerings. Integrating ad-supported models with subscription services is emerging as a key strategy to attract and retain a diverse viewer base.

FAST represents a dynamic and rapidly growing segment of the U.S. streaming market. Its ability to offer free, diverse, and accessible content positions it as a formidable player in the streaming wars. As the industry continues to evolve, FAST services will likely play a pivotal role in shaping the future of television and digital content consumption.

Transactional Market Overview

Transactional video plays a vital role in the OTT landscape, offering two distinct models: Electronic Sell-Through (EST) and Download to Rent (DTR). EST provides customers with (virtually) permanent access to content for a one-time fee, exemplified by movie purchases on platforms like Prime Video. DTR, in contrast, offers temporary access, typically 48 hours, similar to traditional movie rentals.

Growth and Projections in the U.S. Transactional Video Market

The transactional video in the U.S. is witnessing a gradual uptick after declining revenues. PricewaterhouseCoopers (PwC) projects a moderate growth trajectory with a compound annual growth rate of 2%, aiming for a market value of $6.2 billion by 2027. This modest growth is significant considering the 4.4% revenue drop in 2022. In the broader U.S. OTT market, its share is expected to settle at 8.3% by 2027, marginally lower than its 11.5% share in 2022. This trend highlights transactional video's enduring relevance in the global OTT revenue landscape, the fourth-largest segment.

Shifting Consumer Preferences

Consumer behavior in the transactional market is evolving positively. TiVo's Q2 2023 Video Trends Report indicates a slight increase in users, from 50% in Q2 2022 to 52% in Q2 2023. This gradual rise reflects a growing preference for home-based movie consumption over traditional movie theater experiences. Notably, only 44% of respondents now prefer theatrical releases over streaming at home, a decrease from 51% in the previous year. The shift away from theaters is influenced by cost, the quality of home entertainment systems, and the convenience of streaming.

The Future Landscape of Transactional Video

As consumer habits shift towards valuing convenience and cost-effectiveness, the transactional video market adapts by exploring diversified distribution models. This approach is essential in an OTT market that increasingly values flexibility in content delivery. Transactional platforms are well-positioned to capitalize on the trend of streaming new releases at home. Success in this arena requires more than just compelling content and competitive pricing; strategic integration with other business models like subscription-based and FAST is key. This blended approach can offer audiences a richer and more varied content experience.

Platforms like YouTube, Prime Video, and Vudu demonstrate the effectiveness of merging business models. Their success suggests significant potential for TVOD services to expand their appeal and strengthen their market position by appealing to audiences engaging with ad-supported and transactional content.

The TVOD segment, with its unique offerings and evolving consumer preferences, remains a crucial part of the diverse OTT ecosystem. Its ability to adapt and integrate with other streaming models will be pivotal in its sustained relevance and growth in the digital entertainment landscape.

The Decline of Physical Media and its Implications

Netflix's Closure of DVD Rental Service

Netflix's decision to end its DVD rental service underscores the shifting focus in the entertainment industry towards digital content delivery. This move to shutter the DVD business reflects a strategic redirection of resources into burgeoning markets like online gaming and live content, emphasizing the growing insignificance of physical media in Netflix's revenue stream.

Best Buy's Exit from DVD Sales

Similarly, Best Buy's announcement to cease DVD and Blu-ray sales by the end of 2023 further illustrates the diminishing relevance of physical media. This change indicates a strategic shift to accommodate new, innovative technologies, acknowledging the evolving consumer preferences in media consumption.

Consequences for TVOD and Content Accessibility

As retail options for DVDs dwindle, TVOD services, offering a broad catalog for rental or purchase, emerge as the primary means for consumers to access a wide range of content. This shift could particularly affect titles unavailable on streaming platforms, potentially leading to content accessibility issues and the risk of specific films and series becoming unavailable.

Potential Resurgence of Physical Media?

Despite the stark decline in DVD sales and availability, a niche market for physical media persists, driven by collectors and enthusiasts. The unique attributes of DVDs and Blu-rays, such as tangible ownership and special features, continue to appeal to this segment. However, the future of physical media remains to be determined in the predominantly digital landscape of media consumption.

Integrating TVOD with Changing Market Dynamics

In light of the decline in physical media availability, TVOD platforms have an opportunity to fill the gap. By offering a wide range of content, including those titles not available on streaming platforms, TVOD can cater to the diverse needs of consumers. This evolution in the transactional video market is a response to the changing landscape, where flexibility and a broad content library become increasingly crucial for success.

Content & Programming

As 2023 draws to a close, the streaming industry is undergoing a significant transformation in its approach to content and programming. The era of "Peak TV," characterized by high-budget, limited-run shows, is giving way to a more sustainable, viewer-centric model. This shift indicates a departure from prestige projects with exorbitant costs, moving towards content that resonates more broadly with audiences.

Rethinking Content Strategies

The industry is returning to traditional TV practices, focusing on long-term, mainstream-friendly programming. This pivot is seen in moves by major studios like Paramount+ halting limited-run shows and Marvel Studios shifting from miniseries to multi-season programs. The emphasis is on creating engaging storytelling sustained over multiple seasons.

Sustainability Concerns and Financial Reevaluation

There's a growing realization in the industry that audiences seek entertainment, sometimes over high-concept "prestige TV." This leads to a more balanced approach to content creation, where financial viability is as important as creative ambition.

The Road Ahead: A Balanced Content Landscape

Looking ahead, the streaming industry will likely balance prestige with practicality. This phase is expected to see a resurgence in diverse storytelling, focusing on narratives that evolve and grow over time, offering a more fulfilling experience to viewers and creators alike.

The Global Appeal of Foreign Content

A notable trend is the growing interest in foreign-based content, as audiences become more transient and adventurous in their viewing habits.

The increased consumption of non-English language content demonstrates a growing demand for diverse stories and perspectives, moving away from the traditional dominance of American-centric narratives in streaming libraries.

The "Suits" Phenomenon

The resurgence of shows like "Suits" on streaming platforms like Netflix and Peacock illustrates a demand for longer, character-driven series. This phenomenon highlights an audience preference for more extended story arcs and developed character relationships, challenging the current trend towards shorter, limited series.

Amazon Freevee's Strategic Success with "Jury Duty"

Amazon Freevee's success with its original show "Jury Duty" exemplifies strategic innovation in the FAST (free ad-supported TV) sector. This success underscores the potential of original content on ad-supported platforms. It indicates a shift in the streaming landscape where quality content is not solely the domain of subscription services.

The Importance of Diversity in Media

Streaming platforms increasingly showcase foreign language content, breaking down barriers and offering a global perspective. This diversity is essential for a connected world where viewers seek to experience new cultures and viewpoints through media. Platforms like Netflix, Prime Video, and Disney+ lead this charge by providing various international content.

Challenges and Future Directions

The industry faces challenges such as ensuring language accessibility and navigating complex licensing agreements. However, the trend towards more foreign content and the resurgence of longer-form storytelling like "Suits" suggests a dynamic future for streaming content. This future is one where diversity, global perspectives, and engaging long-term narratives play a crucial role.

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PREDICTIONS:

KEY TRENDS TO WATCH IN 2024

Our industry, constantly evolving and dynamic, is set to reveal new chapters while continuing to develop existing narratives in the upcoming year. Until we meet again in our next industry report, here are the key trends we anticipate will significantly shape the industry in 2024.

KEY TREND Mo’ Bundles, Mo’ Bundles, Mo’ Bundles

The streaming landscape is witnessing "The Great Rebundling," a trend significantly reshaping how streaming services are consumed and marketed. This evolution addresses consumer demands for more integrated and cost-effective access to digital content.

Consumer-Driven Change and Bundling Appeal

As the number of streaming platforms increases and subscription costs rise, consumers seek streamlined experiences. Bundles, which could represent a quarter of global subscriptions by 2028, offer access to diverse content through fewer apps at savings of 20% to 50% compared to à la carte subscriptions.

The Landmark Verizon Bundle

The Verizon bundle, incorporating the ad tiers of Netflix and Max, is a prime example of how bundling appeals to consumers. It reduces churn and enhances subscriber numbers through significant discounts, making it an attractive choice for users seeking value and variety.

Mobile Carriers: The Aggregators of the Future

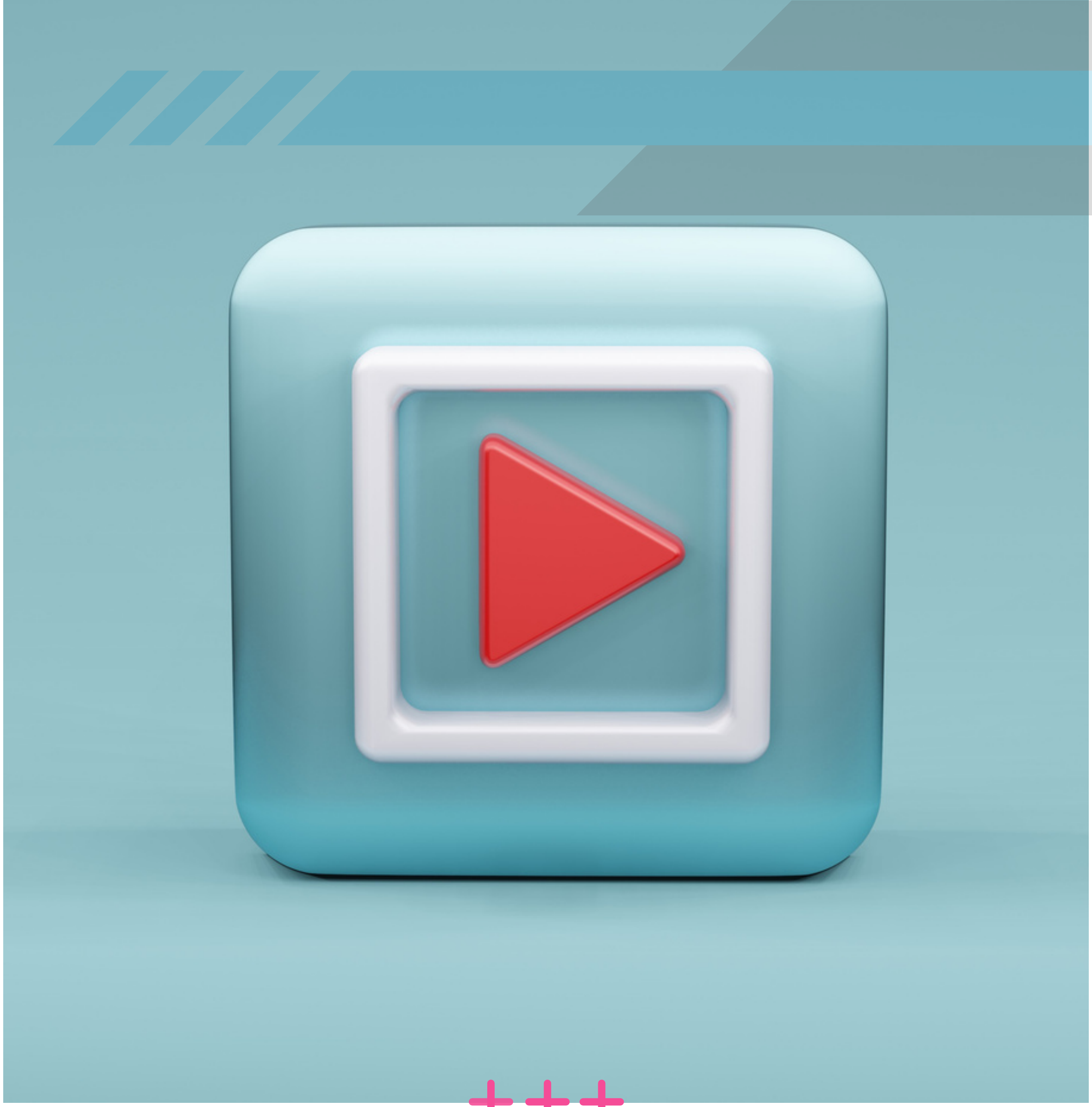
Mobile carriers like Verizon and AT&T are uniquely positioned as aggregators in this rebundling wave. Their vast user base and national scope allow them to offer varied and comprehensive packages, positioning them as key players in the streaming market.

Apple's Strategic Shift: Bundling and Collaboration

Apple TV+ is adapting to the bundling trend, as seen in its discussions with Paramount about a potential bundle with Paramount+. Additionally, Apple's success with its Apple One bundle, which includes Apple TV+, among other services, showcases its openness to bundling as a strategy to enhance value and reduce churn.

Disney and Charter: Setting the Blueprint

The Disney and Charter deal is a critical blueprint in the streaming bundling landscape. Their collaboration shows how media companies can successfully combine offerings to provide more value to consumers, indicating the importance of strategic partnerships in this evolving market.



Looking Ahead

The Great Rebundling goes beyond current consumer preferences; it sets a course for sustainable growth in streaming. By offering diverse content in simplified subscription models, streaming services enhance appeal and forge stronger partnerships, aligning with evolving viewer needs and opening new avenues for industry growth.

As we observe The Great Rebundling unfold, it's reshaping the strategies of streaming services and the landscape of digital media consumption. This trend will likely impact content distribution, consumer engagement, and the streaming industry's overall economics.

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KEY TREND

Those Who Closed Doors, Are Opening Windows: A Shift in Content Distribution

In a strategic reversal, major streaming services, and studios are rewriting the script on their distribution models, emblematic of a shift from "closing doors, opening windows." Initially, these players took the proverbial ball and went home, opting to showcase content exclusively on their streaming platforms. This move, aimed at bolstering their direct-to-consumer (DTC) services, represented a significant shift in the streaming landscape, effectively closing the door to their licensing partners.

Those Who Closed Doors, Are Opening Windows: A Shift in Content Distribution (cont'd)

However, the narrative is evolving as the industry witnesses a reversal of this insular trend. Studios and streaming services are now opening new windows of opportunity by revisiting the art of content licensing. This shift acknowledges the limitations of an exclusive content strategy and the broader potential of varied distribution windows to maximize revenue and reach.

A Shift in Strategy: Balancing DTC Aspirations with Licensing Opportunities

The current shift sees major players like Disney, Warner Bros. Discovery, and Netflix re-embracing content licensing domestically. This change in approach comes after a period where these giants, following Netflix's lead, largely hoarded content for their streaming services. The pursuit of direct-to-consumer (DTC) streaming growth is now being balanced with the lucrative prospects of content licensing.

Netflix's Reinvention: A Return to Licensing Roots

Netflix's journey, initially reliant on licensed content, shifted to focus heavily on original productions. Yet, with studios now open to licensing content again, Netflix is poised to enhance its library, potentially reasserting itself as the go-to platform for a diverse range of content.

The Dual Approach: Licensing and DTC Synergy

The key to success in this new era is a dual approach. While licensing offers immediate financial benefits and audience expansion, retaining exclusive content for DTC platforms is crucial for long-term brand value and subscriber loyalty. This approach requires a delicate balance: streamers must select which content to license and which to keep exclusive to maintain a compelling and unique DTC offering.

Looking Ahead

As the industry grapples with cost-cutting measures and content spending reductions, the newfound appreciation for licensing is proving to be a strategic boon. This approach mitigates the financial risks associated with exclusive streaming and capitalizes on the broader market reach. However, this doesn't negate the importance of a strong DTC presence. Streamers must continue to develop and retain high-quality exclusive content to differentiate their platforms and foster subscriber loyalty.

The return to licensing by major streaming services marks a significant shift in content distribution strategies. While this approach addresses some of the challenges highlighted in our previous report, it also underscores the importance of a balanced strategy that leverages both licensing opportunities and robust DTC offerings. This balanced approach will likely be a critical factor in the success of streaming services in the coming years, allowing them to maximize profitability while maintaining a compelling and diverse content library.

KEY TREND

Artificial Intelligence, of Course

As we discuss the future of streaming, it's impossible not to highlight Artificial Intelligence (AI). AI has emerged as a pivotal theme at the heart of the OTT.X Summit discussions and beyond. During the recent WGA strike, there was much speculation about AI's potential to disrupt the industry, with many writers expressing concern over its implications. However, we see AI not as a nefarious force but as a transformative tool reshaping our interactions with digital platforms, particularly in streaming services.

AI-Powered Localization and Content Customization

AI-driven localization is a game-changer in streaming services' global outreach. By efficiently translating and adapting content for different markets, AI enables platforms to engage with a broader audience without language or cultural barriers. This enhanced localization and AI's ability to produce multilingual audio that syncs seamlessly with video content marks a significant advancement in content accessibility.

Content Protection and Enhanced User Experience

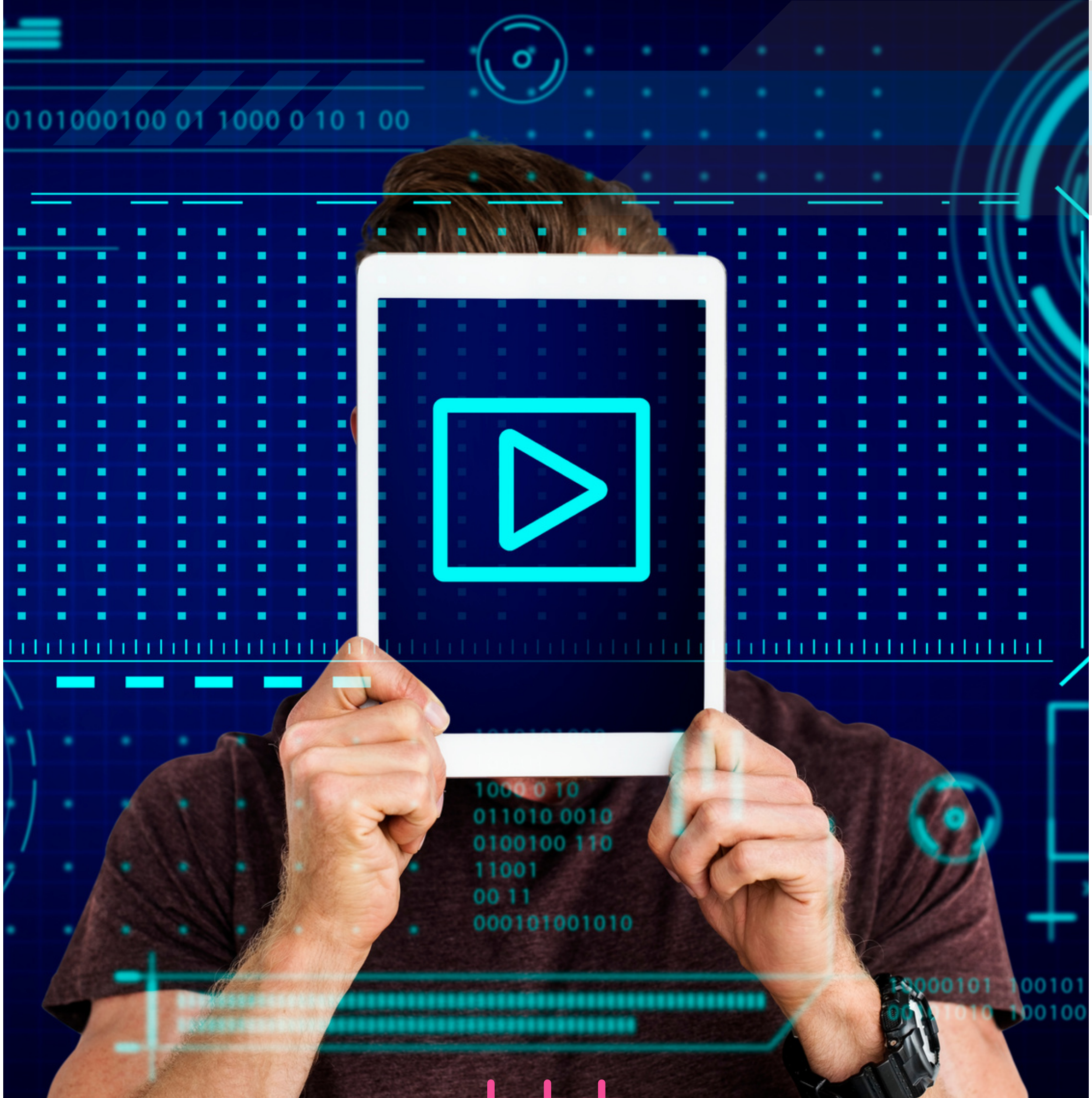
In an era where illegal downloading of copyrighted materials consumes 24% of global bandwidth and pirated video materials garner over 230 billion views annually, AI's role in content protection is more crucial than ever. AI can swiftly identify and eliminate pirated streams, defending intellectual property rights effectively. Additionally, AI significantly enhances the user experience through dynamic video encoding, ensuring optimal image quality while minimizing data usage.

Personalized Viewing Experience

AI is revolutionizing how viewers interact with streaming platforms. Sophisticated recommendation algorithms and tailored content powered by AI ensure each user's journey is unique and engaging. This personalization is critical to solving the persistent content discovery challenge, as highlighted in previous reports. The integration of AI, as demonstrated by platforms like Plex, showcases how streaming services can utilize technology to cater to specific viewer preferences. Plex's use of machine learning to offer features like "Skip Credits" is a testament to AI's capability to enhance viewer satisfaction and differentiate services in a crowded market.

Predictive Analytics for Content Strategy

AI-driven predictive analytics is becoming a strategic asset for content curation and creation. Streaming platforms can make informed decisions about what content to produce, acquire, or license by analyzing viewer data. This approach not only maximizes audience engagement but also optimizes content-related investments.



Looking Ahead

As we look towards 2024, integrating AI in streaming services is about embracing a tool that offers significant advantages in content relevance, protection, and viewer engagement. Platforms like Plex exemplify the innovative ways streaming services can utilize AI to enhance the overall streaming experience. As AI technology advances, it will play an increasingly essential role in ensuring viewers can effortlessly navigate and enjoy the vast array of content available, enriching the overall streaming experience.

Closing Thoughts

It's evident that we're navigating a realm of unparalleled innovation and strategic complexity. The trends and shifts we've explored in this report illuminate the present state of streaming and chart a course for its future trajectory.

Once a wild frontier of rapid expansion and experimentation, the streaming sector is maturing into a more measured and strategic arena. This evolution is marked by the industry's pivot from a relentless pursuit of growth to a more nuanced focus on sustainability and profitability. The rise of hybrid business models, the resurgence of content licensing, and the integration of AI technologies are not just transient trends; they indicate a deeper transformation within the industry.

As we look towards 2024 and beyond, several key takeaways emerge:

Hybridization and Flexibility: The future of streaming is not rooted in a single business or distribution model. Instead, it lies in the hybridization of FAST, SVOD, and TVOD, offering consumers a diverse and flexible array of content consumption options. This approach caters to varying consumer preferences and opens up new revenue streams for service providers.

Strategic Licensing and DTC Synergy: The re-embrace of content licensing and the maintenance of strong DTC offerings highlight the industry's recognition of the value of a dual strategy. This approach balances immediate financial gains from licensing with the long-term brand value and subscriber loyalty garnered from exclusive DTC content

AI as a Key Differentiator: The role of AI in personalizing viewer experiences and enhancing content discovery is becoming increasingly pivotal. Platforms like Plex demonstrate how AI can be leveraged to improve user experience and address some of the industry's most persistent challenges.

Adaptation and Responsiveness: The industry must remain adaptive and responsive to changing market dynamics, consumer behaviors, and technological advancements. This adaptability is crucial for streaming services to maintain relevance and competitiveness in a market that is no longer just burgeoning but increasingly saturated.

Egalitariian, Global, and Diverse: The industry must continue to grow from its past dependence on domestic content from highly funded corporate studios made and distributed by and for an exclusionary monotonous population. While the old Hollywood studios are still an essential component of this ecosystem – there is so much more.

As we anticipate the next phase of the streaming industry's evolution, it's clear that the key to success lies in embracing innovation, fostering strategic partnerships, and remaining attuned to the ever-changing preferences of a global audience. The streaming landscape of tomorrow will be shaped by those who understand these dynamics and have the foresight and agility to navigate them effectively.

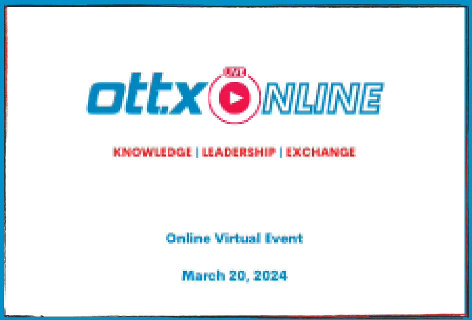
In closing, the streaming industry stands at a crossroads of opportunity and challenge. The path it chooses will undoubtedly influence not just its future but also the broader landscape of media and entertainment. Let us reconvene in our next report to witness how these predictions unfold and to continue our exploration of this fascinating sector.

2024 Calendar (Date may Change)

Jan 9
Breakfast at CES in Las Vegas

Jan 25
LA Meetup

February 22
LATAM Streaming Forum



March 20
OTT.X Online Live

April 4
NYC Roundtables

April 16
Breakfast at NAB in Las Vegas

April 25
LA Meetup

May 21-22
X Fronts

June 27
LA Roundtables

August 29
LA Meetup

September 25-26
Summit Market Conference & More

October 8
NYC Salon

November 7
LA Salon

December 4
Industry Strategic Review & Analysis

December 4
OTT.X Social Impact Awards

December 4
Diversity Summit

Board of Directors

Executive Committee

Cameron Douglas
CHAIRMAN
SVP, OTT/Streaming
Fandango

Erick Opeka
VICE CHAIR
Chief Strategy Officer
Cineverse

Katherine Pond
SECRETARY
Group VP, Platform,
Content & Partnerships
VIZIO

Michele Edelman
TREASURER
Head of Growth
Premiere DIgital

Bill Condon
EXECUTIVE COMMITTEE
VP, Enterprise Sales and
Partnerships
Xumo

Philippe Guelton
EXECUTIVE COMMITTEE
Chief Revenue Officer
Chicken Soup for the Soul
Entertainment/Redbox

Jason Peterson
EXECUTIVE COMMITTEE
CEO
GoDigital Media Group

Directors

Jill Allen
SVP DIgital
Distribution
Sony Pictures
Entertainment

Beth Anderson
SVP/GM, FAST
Channels & VOD
Sales
BBC

Jorge Balleste
VP Content
Partnerships
TelevisaUnivision

Elissa Brown
VP Finance and
Operations
Movies Anywhere

Paul Colichman
CEO
Here Media

Jude Fitzmorris
Principal Product
Manager
Amazon

Craig Heiting
Head of Corporate
Strategy
Wurl

Carol Hinnant
Chief Revenue
Officer
Comscore

Stephen L. Hodge
CEO
OTTera

Srinivasan KA
Co-Founder
Amagi

Quincy Newell
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About OTT.X

OTT.X is a not-for-profit trade association supporting the home entertainment industry for over 30 years.

Our members form a global community of organizations throughout the OTT streaming industry, including content, service, 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 we do

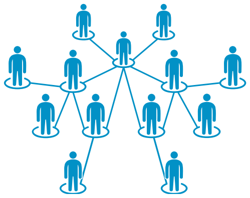
Networking & Events

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.

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