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The Battle for the American Couch Potato: OTT, TV, Online

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Commentary

Now in its 12th year of publication, The Battle for the American (Couch Potato: OTT, TV, Online (154 pages) contains detailed analysis by **Company & Market**. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census. **Please see Table of Contents for what is included in this Report.**

The gloves are off. The TV-Movie Industry is being reconstructed from the inside and by the outside, as programmers now directly compete against their traditional TV access and independent OTT buyers that rival in terms of content spend. Amazon, Apple, DAZN, Facebook, Google and Netflix all have the money muscle to finance their own productions or outbid on programming including major sporting franchises. We expect especially for the US market going forward fewer content deals between programmers and independent OTT providers: 2017 saw Disney choose not to renew with Netflix and embrace OTT, HBO not renew with Amazon in the US, Hulu (which is spending more on content on a per US subscriber basis than Amazon or Netflix) continue to bolster its offerings & more directly compete against TV access providers, and A+E, AMC, Discovery, Scripps back & supply Philo.

The traditional TV ecosystem does not show decline 'yet' except for TV subscribers. TV access players continue to raise prices (ARPU is growing but we forecast TV access revenue decline going forward), and programmers have kept up increases in programming fees & advertising rates but this architecture can not last in the long-run: TV access providers OTT offers (and skinny TV offers) add subscribers but at far lower ARPU, while large independent OTT providers, which also sell at low price points and often without advertising, have heavily boosted their own production for a number of reasons, including reducing their reliance on programmers. Programmers have read the writing on the wall and have already gone, or are in process of going direct to consumer, again at competitive price points.

We estimate US OTT access revenue (based on 55 OTT providers led by Netflix) grew 41% to $11.9 billion in 2017, forecast $16.6 billion for 2018, and $27.6 billion for 2020.

We estimate Independents, Programmers, TV Access Providers represented 64%, 29%, 7% of US OTT access revenue respectively in 2017 and forecast 54%, 34%, 12% for 2020.

We estimate 2017 US Cable, Satellite, Telco TV access (not including OTT) revenue grew 1% to $107.6 billion ($94.30/mo. ARPU), and forecast $107.4 billion (97.90/mo. ARPU) for 2018.

We forecast US OTT subscriber households will far surpass TV subscribers in 2020, however US TV subscriber ARPU will be 4 times US OTT subscriber household ARPU down from 6 times in 2017.

We estimate 2017 saw a decline of 3.66 million US TV subscribers, 2016 a decline of 2.2 million, and we forecast a decline of 3.72 million TV subs for 2018; hence the US TV sub base is declining in the 4%/annum range.

As illustrated in our US Cord Cutter/Never Household Model, 2010 saw the start of the rise in cord cutter/never households. As of YE2017 we estimate 32.13 million US households (26.1% of HHs) did not have a traditional TV subscription with a Cable, Satellite, or Telco TV access provider, up from 27.56 million (22.6% of HHs) YE2016, and we forecast 36.76 million (29.6% of HHs) YE2018. 2016 saw 3.16 million, 2017 4.57 million, and we forecast 4.63 million 2018 cord cutter/never household additions.

2017 saw US residential broadband subscribers surpass US TV subscribers growing to 96.95 million. We estimate 2.33 million US residential broadband subs were added in 2017 (2.66 million in 2016) and revenue grew 7% to $56.8 million; we forecast 2.57 million additions and 6% growth to $60.5 billion for 2018.

We estimate Broadcast & Cable Network Online TV advertising represented 5.2% of 2017 US TV advertising revenue, we forecast 5.6% for 2018.

We estimate OTT will represent 90% of US movie/TV rental revenue in 2020, while download movie/TV sales will represent almost half of US DVD/Blu-ray/download movie/TV sales.