



# **The Battle for the American Couch Potato: OTT and TV**

**April 2020**

This document contains valuable confidential information of  
The Convergence Research Group Limited,  
which is licensed for internal review only.

© 2020, The Convergence Research Group Limited.  
All rights reserved.

**CLIENT CONFIDENTIAL**

[www.convergenceonline.com](http://www.convergenceonline.com)

# Contents

- .....1
- COMMENTARY.....6**
- CORONAVIRUS IMPACT ASSESSMENT.....9**
- SECTION ONE: US TV SUBSCRIBER & REVENUE DECLINE, CORD CUTTER/NEVER & BROADBAND RISE, PROGRAMMING COST GROWTH, TV AD REVENUE DECLINE ..... 11**
- Estimated US Households, TV Subscribers, OTT Subscriber Households, Of Which Live Multichannel (vMVPD) OTT Subscriber Households, Cord Cutter/ Never Households, Residential Internet Subscribers, 2018-2022 .....13
- Estimated US TV Subscribers, TV Access Revenue, OTT Access Revenue, Cord Cutter/ Never Households, 2019, 2022, 2025 .....14
- Estimated US Broadcast & Cable Network TV Advertising Revenue, Online Broadcast/ Cable Network TV Advertising Revenue, Online % of Total, 2018-2022 .....15
- Estimated Programming Sales to US Cable, Satellite, Telco TV Access Providers by Cable Networks and Broadcast Retransmission, 2018-2021 .....16
- Estimated Programming Expenditures by US Cable and Satellite/ Telco Access Providers, 2018-2021 .....16
- Estimated Programming Expenditures by AT&T/ DirecTV, Charter, Comcast, Dish, 2018-2021 .....17
- US Cord Cutter/ Nevers: Critical Mass .....18
- US Cord Cutter/ Never Household Model, 2010-2022 .....18
- Estimated US TV Subscribers by Cable, Satellite, Telco TV, 2018-2022 .....20
- Estimated US TV Subscribers by Comcast, Charter, Cox, Altice, DirecTV, Dish, AT&T, Verizon, Frontier, 2018-2022 .....20
- Estimated US TV Access Revenue by Cable, Satellite, Telco, and ARPU, 2018-2022 .....21
- Estimated TV Access Revenue by Comcast, Charter, Cox, Altice, DirecTV, Dish, 2018-2022 .....21
- Estimated US Residential Internet Subscribers by Cable, Telco, Other Broadband, as Percentage of US Households, Total Revenue, ARPU, 2018-2022.....22
- Estimated US Residential Broadband Subscribers by Comcast, Charter, Cox, Altice, AT&T, Verizon, CenturyLink, Frontier, 2018-2022.....23
- Estimated Residential Internet Access Revenue by AT&T, Verizon, CenturyLink, Frontier, Comcast, Charter, Cox, Altice 2018-2022 .....23
- US Advertising Revenue: Traditional Broadcast & Cable TV Decline, Broadcast & Cable Online TV Driven by OTT, Online The Usurper.....24
- Estimated US Broadcast & Cable Network TV Advertising Revenue, Online Broadcast/ Cable Network TV Advertising Revenue, Online % of Total, 2018-2022 .....26

Estimated US Online Broadcast/Cable Network TV Advertising Revenue, Of Which OTT, % OTT, 2018-2022.....	26
Estimated US Online Advertising Market Revenue by Google, Facebook, Broadcast/Cable Network TV, Other, 2018-2022 .....	27
Estimated US Online Advertising Market Share by Google, Facebook, Broadcast/Cable Network TV, Other, 2018-2022 .....	27

**SECTION TWO: ASSESSING 80+ OTT SERVICES (50+ PROVIDERS)28**

Estimated US Households, TV Subscribers, OTT Subscriber Households, Of Which Live Multichannel (vMVPD) OTT Subscriber Households, Cord Cutter/Never Households, Residential Internet Subscribers, 2018-2022 .....	32
Estimated US TV Subscribers, TV Access Revenue, OTT Access Revenue, Cord Cutter/Never Households, 2019, 2022, 2025 .....	33
Notes for the US OTT Exhibits (next 3 Exhibits): .....	34
Estimated US OTT Subscribers by Netflix, Amazon Prime, Hulu, Apple TV+, AT&T TV Now, CBS All Access, Disney+, Epix, ESPN+, Fubo, HBO/Cinemax, Peacock, Philo, PS Vue, Quibi, Showtime, Sling, Starz, Viacom, WWE, YouTube, and B/R-F1-Flo-FoxSoc-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NBC Sports Gold-NFL Game Pass-NHL.TV-SI-TC, and Acorn-Boomerang-BritBox-Crunchy-CS-DC-Food-Fox Nation-History-Hotstar-Kocowa-PBS-Pongalo-Sundance-Univision-Viki, and Brown Sugar-CONtv-Criterion-Dove-Fandor-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Mubi-Ovid-Pantaya-Scream-Shudder-Topic-Tribeca-UMC, 2018-2022 .....	35
Estimated US OTT Access Revenue by Netflix, Amazon Prime, Hulu, Apple TV+, AT&T TV Now, CBS All Access, Disney+, Epix, ESPN+, Fubo, HBO/Cinemax, Peacock, Philo, PS Vue, Quibi, Showtime, Sling, Starz, Viacom, WWE, YouTube, and B/R-F1-Flo-FoxSoc-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NBC Sports Gold-NFL Game Pass-NHL.TV-SI-TC, and Acorn-Boomerang-BritBox-Crunchy-CS-DC-Food-Fox Nation-History-Hotstar-Kocowa-Pongalo-Sundance-Univision-Viki, and Brown Sugar-CONtv-Criterion-Dove-Fandor-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Mubi-Ovid-Pantaya-Scream-Shudder-Topic-Tribeca-UMC, 2018-2022 .....	36
Estimated US OTT ARPU by Netflix, Amazon Prime, Hulu, Apple TV+, AT&T TV Now, CBS All Access, Disney+, Epix, ESPN+, Fubo, HBO/Cinemax, Peacock, Philo, PS Vue, Quibi, Showtime, Sling, Starz, Viacom, WWE, YouTube, and B/R-F1-Flo-FoxSoc-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NBC Sports Gold-NFL Game Pass-NHL.TV-SI-TC, and Acorn-Boomerang-BritBox-Crunchy-CS-DC-Food-Fox Nation-History-Hotstar-Kocowa-Pongalo-Sundance-Univision-Viki, and Brown Sugar-CONtv-Criterion-Dove-Fandor-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Mubi-Ovid-Pantaya-Scream-Shudder-Topic-Tribeca-UMC, 2018-2022 .....	37
Estimated US OTT Access Revenue and Market Share by Independents, Programmers, TV Access Providers, 2018-2022 .....	38

Estimated US OTT Subscriber Households, Average OTT Subscriptions Per OTT Household, TV Subscribers, Household Penetration, ARPU Comparisons, 2018-2022 .....	38
Estimated OTT Programming Expenditures by Amazon Prime Video, Hulu, Netflix, 2018-2020 .....	39
OTT Independents: Netflix, Amazon, Apple, Quibi .....	40
Competition, Price Rises, and Programming Losses Put a Damper on Netflix US Subscriber Growth .....	41
Netflix Financial Model, 2012-2020 .....	41
Estimated Netflix Subscribers by US (by Streaming, Streaming-Only, DVD, DVD-Only), Canada Streaming, International Streaming, 2018-2022 .....	42
Estimated Netflix Content Obligations, 2017-2019 .....	43
Estimated Programming Expenditures by Netflix, TV Access Providers, and Per Subscriber Spend Netflix Versus TV Access Providers, 2018-2020 .....	43
Estimated Netflix and TV Access Providers Content Costs as a Percentage of Revenue, 2018-2020 .....	43
Amazon Prime Video: Leverage, Here to Stay .....	54
Apple TV+: At What Cost .....	61
Quibi: What are the Odds .....	63
Network Programmers OTT Plays: Hulu, Disney+, CBS All Access, Showtime, Smithsonian, Viacom's BET+, Comedy Central Now, MTV Hits, NickHits, Noggin, Pluto TV, WarnerMedia's HBO Max & Now, Cinemax, NBCU's Peacock, A&E/AMC/Discovery/Viacom's Philo .....	66
Hulu: Discount Pricing and Prodigious Programming Drive Sub Growth...Where Are Programming Supply and Profitability in 2023 .....	68
Disney+: Making Quick Work of Subscriber Target Forecasts .....	75
CBS All Access & Showtime Strong Subscriber Trajectory...Viacom's BET+, Comedy Central Now, MTV Hits, NickHits, Noggin, Pluto TV...House of Brands to Soft Launch Before End of 2020 .....	79
AT&T/WarnerMedia's HBO Max & Now, Cinemax: Game of Transitions ....	84
Comcast/NBCU's Peacock: The TV Everywhere Plus of OTT .....	90
A&E/AMC/Discovery/Viacom's Philo: Can It Scale .....	95
Other Pay-TV OTT: Lionsgate's Starz & MGM's Epix .....	97
Live Multichannel (vMVPD) OTT Bundlers: AT&T's AT&T TV Now, Dish's Sling TV, FuboTV, Google's YouTube TV, T-Mobile's TVision Home, Vidgo...Sony PlayStation Vue Shuts Down .....	99
Sports OTT: Turner's B/R Live, DAZN, Disney's ESPN+, FloSports, Liberty Media's F1 TV Pro, Fox Corp.'s Fox Soccer Match Pass, Horse & Country, MLB.TV, Discovery's Motor Trend OnDemand, MyOutdoorTV, NBA League Pass/TV, NBC Sports Gold, NFL Game Pass, NHL.TV, Authentic Brands' SI.TV, Sinclair's Tennis Channel Plus, WWE Network .....	112

Niche TV OTT: A&E’s History Vault, AMC’s Acorn TV & Sundance Now, BBC/ITV’s BritBox, CuriosityStream, Discovery’s Food Network Kitchen, Disney’s Hotstar, First Look Media’s Topic, Fox Corp.’s Fox Nation, KBS-MBC-SBS’s Kocowa, PBS’s PBS Kids, Living & Masterpiece, Pongalo, Rakuten’s Viki, WarnerMedia’s Boomerang, Crunchyroll & DC Universe, Univision’s Univision Now.....	123
Niche Movie OTT: A&E’s Lifetime Movie Club, AMC’s IFC Films Unlimited, Shudder & Urban Movie Channel, Bounce TV’s Brown Sugar, Cinedigm’s CONtv & Dove Channel, Criterion Channel, Crown Media’s Hallmark Movie Now, Fandor, Filmatique, Gravitas Movies, Lionsgate’s Tribeca Shortlist & Pantaya, Mubi, Ovid, Screambox.....	129
<b>SECTION THREE: PROFILES.....</b>	<b>134</b>
A&E Networks.....	135
Amazon Prime .....	136
AMC Networks.....	143
Apple TV+ .....	145
AT&T/DirecTV/WarnerMedia .....	147
Comcast/NBCUniversal .....	155
Discovery .....	161
Dish/Sling TV .....	163
Fox Corp. ....	165
Google/YouTube.....	166
Lionsgate/Starz .....	168
Netflix.....	170
Quibi.....	180
ViacomCBS .....	183
Walt Disney/Hulu .....	190

## Commentary

Now in its 14th year of publication, **The Battle for the American Couch Potato: OTT and TV** (202 pages) contains detailed analysis of offers (including prices & programming), strategy, and subscriber/financial performance metrics (including forecasts) by Company & Market. In addition to Convergence analysis, sources include company interviews, annual/quarterly reports & presentations, US Census.

**Commentary, please see Table of Contents for what is included in this Report:**

Our forecasts assume the coronavirus will not be as major a disruptive force beyond 2020.

With programmers having jumped in with both feet, and Apple, DAZN, and Quibi joining Netflix & Amazon's spending parade, the OTT arms race has truly begun. We believe Netflix no longer has the same flexibility to raise pricing as frequently as it has in the past. Alternatively, Amazon and Apple have the luxury of expensing OTT programming as an additional operating cost to their core businesses. Amazon has clearly demonstrated its programming commitment to OTT, it remains to be seen if Apple is willing to endure the long-term spending campaign required to become a key OTT player.

Programmers face their own opportunity cost constraints. Hence programmer OTT offers, which have seen Disney & Warner move away from being Netflix & Amazon Prime's (in the US) suppliers respectively, will at least in the short term be tempered by continuing to serve the \$235 billion US TV access, advertising, programming space. While Disney+ and ESPN+ quickly exceed their subscriber target forecasts, Hulu which has seen subscriber growth through price discounts and major programming outlays (Hulu spends more on content/sub than either Amazon or Netflix) remains unprofitable and it is unclear what programming supply will look like in the medium-long run.

AT&T/WM is in game of transitions mode, attempting to rapidly convert & grow its HBO subscriber base to HBO Max. CBS All Access & Showtime have seen a very strong OTT subscriber trajectory, we await the new ViacomCBS house of brands OTT product. Comcast/NBCU's Peacock takes a TV Everywhere Plus approach to OTT. We await more Discovery DTC.

Based on 77 OTT services (over 50 providers), led by Netflix, Hulu, Amazon, we estimate US OTT access revenue grew 35% to \$22 billion in 2019, we forecast X% growth to \$X billion for 2020, and \$X billion for 2022. Hence we forecast 2022 OTT access spending will be more than X of what is spent on TV access, up from 22% in 2019.

We estimate Independents, Programmers, TV Access Providers represented X%, X%, X% of 2019 US OTT access revenue, and forecast X%, X%, X% for 2022; hence Programmers should continue to narrow the revenue gap with Independents.

We forecast US TV subscriber ARPU will be X times US OTT subscriber household ARPU in 2022 down from X times in 2019. 2019 saw US OTT subscriber households surpass US TV households, we forecast average OTT subscriptions will increase to X per OTT household in 2021.

We estimate Broadcast & Cable TV Network Online advertising, driven by OTT, will represent X% of 2020 and X% of 2022 US TV advertising revenue.

Given the accelerating decline in TV subscribers, revenue, and the ongoing programming cost and TV access price increases, TV advertising revenue has also started to decline, traditional TV has never looked so vulnerable.

We estimate 2019 US Cable, Satellite, Telco TV access revenue declined 3% to \$100.4 billion and forecast a decline of X% to \$X billion in 2020 (hence ARPU should grow X%) and a decline of X% in 2022 to \$X billion.

We estimate 2019 saw a decline of 6.358 million US TV subscribers, 2018 a decline of 4.034 million, and we forecast a decline of X million TV subs in 2020 & X million in 2022; hence US TV subscribers declined by 7.1% in 2019, 4.3% in 2018, and we forecast X% in 2020, X% in 2021 and X% in 2022.

As illustrated in our US Cord Cutter/ Never Household Model, as of YE2019 we estimate X million US households (36.1% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, up from X million (30.6% of HHs) YE2018, and we forecast X million (X% of HHs) YE2020, and X million (X% of HHs) YE2022. 2019 saw 7.21 million, 2018 5.94 million, and we forecast X million 2020 and X million 2022 cord cutter/ never household additions.

Extending out forecasts to YE2025 from YE2019, demonstrates a decline of more than X% of US TV subscribers, over X% of annual TV access revenue, while cord cutter/ never households and OTT access revenue more than X, with OTT access revenue X 2025 TV access revenue.

Being caught in the programmer versus independent OTT squeeze play hampers TV access provider revenue & margins, however as TV access providers are also Internet providers there are also benefits to facilitating the rise of OTT. Annual residential broadband revenue has more than doubled over the last decade & we forecast 2022 residential broadband access revenue will X with 2022 TV access revenue. Residential broadband subs surpassed TV subs in 2017.