



**THE CONVERGENCE RESEARCH GROUP LTD.**

CONTENT • ECONOMICS • HIGH-TECH • INTERNET • TELECOM

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

**May 2022**

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

© 2022, The Convergence Research Group Limited.  
All rights reserved.

**CLIENT CONFIDENTIAL**

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

# Contents

- .....1
- COMMENTARY.....6**
- SECTION ONE: US TV SUBSCRIBER, REVENUE & ADVERTISING  
DECLINE, CORD CUTTER/NEVER & BROADBAND RISE,  
PROGRAMMING COST DYNAMICS .....8**
- Estimated US Households, TV Subscribers, OTT Subscriber  
    Households, Of Which vMVPD OTT Subscriber Households, Cord  
    Cutter/ Never Households, Residential Broadband Subscribers, 2020-  
    2024.....10
- Estimated US TV Subscribers, TV Access Revenue, OTT Access  
    Revenue, Cord Cutter/ Never Households, 2021, 2024, 2027 .....11
- Estimated US Broadcast & Cable Network TV Advertising Revenue,  
    Online Broadcast/ Cable Network TV Advertising Revenue, Online %  
    of Total, 2020-2024.....12
- Estimated Programming Sales to US Cable, Satellite, Telco TV Access  
    Providers by Cable Networks and Broadcast Retransmission, 2020-  
    2023.....13
- Estimated Programming Expenditures by US Cable and  
    Satellite/ Telco Access Providers, 2020-2023 .....13
- Estimated Programming Expenditures by AT&T/ DirecTV, Charter,  
    Comcast, 2020-2023 .....14
- US Cord Cutter/ Nevers: Critical Mass .....15
- US Cord Cutter/ Never Household Model, 2010-2024 .....15
- Estimated US TV Subscribers by Cable and Satellite/ Telco TV, 2020-  
    2024.....17
- Estimated US TV Subscribers by Comcast, Charter, Cox, Altice,  
    AT&T/ DirecTV, Dish, Verizon, 2020-2024 .....17
- Estimated US TV Access Revenue by Cable and Satellite/ Telco, and  
    ARPU, 2020-2024 .....18
- Estimated TV Access Revenue by Comcast, Charter, Cox, Altice,  
    AT&T/ DirecTV, Dish, 2020-2024.....18
- Estimated US Residential Internet Subscribers by Cable, Telco, Other  
    Broadband, as Percentage of US Households, Total Revenue, ARPU,  
    2020-2024.....19
- Estimated US Residential Broadband Subscribers by Comcast, Charter,  
    Cox, Altice, AT&T, Verizon, Lumen, Frontier, 2020-2024 .....20
- Estimated Residential Internet Access Revenue by AT&T, Verizon,  
    Lumen, Frontier, Comcast, Charter, Cox, Altice 2020-2024 .....20
- US Advertising Revenue: Anything Is Better than 2020, 2021-2022 Recovery,  
    However Traditional Broadcast & Cable TV Advertising in Long Term  
    Decline, Broadcast & Cable Online TV Advertising Propelled by Free  
    (AVOD/ FAST) & Paid OTT, Online Advertising Double Digit Growth.....21

Estimated US Broadcast & Cable Network TV Advertising Revenue, Online Broadcast/Cable Network TV Advertising Revenue, Online % of Total, 2020-2024 .....	22
Estimated US Online Broadcast/Cable Network TV Advertising Revenue, Of Which OTT, % OTT, 2020-2024.....	22
Estimated US Online Advertising Market Revenue by Google, Meta, Broadcast/Cable Network TV, Other, 2020-2024 .....	23
Estimated US Online Advertising Market Share by Google, Meta, Broadcast/Cable Network TV, Other, 2020-2024 .....	23

**SECTION TWO: ASSESSING OVER 75 OTT SERVICES, OVER 50 PROVIDERS..... 24**

Estimated US Households, TV Subscribers, OTT Subscriber Households, Of Which vMVPD OTT Subscriber Households, Cord Cutter/Never Households, Residential Broadband Subscribers, 2020-2024.....	28
Estimated US TV Subscribers, TV Access Revenue, OTT Access Revenue, Cord Cutter/Never Households, 2021, 2024, 2027 .....	29
Notes for the US OTT Exhibits (Next 3 Exhibits): .....	30
Estimated US OTT Subscribers by Amazon Prime, Apple TV+, Discovery+, Disney+, ESPN+, Fubo, HBO, Hulu, Netflix, Paramount, Peacock, Philo, Sling, Starz, YouTube TV, and F1-Flo-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NFL Game Pass-TC, and Acorn-ALLBLK-AMC+-BBC-Boomerang-BritBox-Crime-CrunchyFun-CS-Food-Fox Nation-History-Kocowa-PBS- Sundance-Univision-Viki, and BFI-BrownSugar-Criterion-Epix-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Mubi-Magnolia-Ovid-Pantaya-Scream-Shudder-Topic, 2020-2024 .....	31
Estimated US OTT Access Revenue by Amazon Prime, Apple TV+, Discovery+, Disney+, ESPN+, Fubo, HBO, Hulu, Netflix, Paramount, Peacock, Philo, Sling, Starz, YouTube TV, and F1-Flo-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NFL Game Pass-TC, and Acorn-ALLBLK-AMC+-BBC-Boomerang-BritBox-Crime-CrunchyFun-CS-Food-Fox Nation-History-Kocowa-PBS-Sundance-Univision-Viki, and BFI-BrownSugar-Criterion-Epix-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Magnolia-Mubi-Ovid-Pantaya-Scream-Shudder-Topic, 2020-2024 .....	32
Estimated US OTT ARPU by Amazon Prime, Apple TV+, Discovery+, Disney+, ESPN+, Fubo, HBO, Hulu, Netflix, Paramount, Peacock, Philo, Sling, Starz, YouTube TV, and F1-Flo-H&C-MLB.TV-MTrend-MOTV-NBA Pass/TV-NFL Game Pass-TC, and Acorn-ALLBLK-AMC+-BBC-Boomerang-BritBox-Crime-CrunchyFun-CS-Food-Fox Nation-History-Kocowa-PBS-Sundance-Univision-Viki, and BFI-BrownSugar-Criterion-Epix-Filmatique-Gravitas-Hallmark-IFC-Lifetime-Magnolia-Mubi-Ovid-Pantaya-Scream-Shudder-Topic, 2020-2024 .....	33
Estimated US OTT Subscriber Accounts, 2020-2024 .....	34

Estimated US OTT Access Revenue and Market Share by Independents, Programmers, TV Access Providers, 2020-2024 .....	34
Estimated US OTT Subscriber Households, Average OTT Subscriptions Per OTT Household, TV Subscribers, Household Penetration, ARPU Comparisons, 2020-2024 .....	35
Estimated OTT Programming Expenditures by Amazon, Hulu, Netflix, 2020-2022.....	35
OTT Independents: Netflix, Amazon, Apple .....	36
Netflix: Subscriber Additions, Price Rise Pattern, Programming Spend, Advertising? .....	37
Netflix Financial Model, 2012-2022.....	37
Estimated Netflix Subscribers by US Streaming, US DVD, US DVD- Only, Canada Streaming, International Streaming, 2020-2024.....	38
Estimated Netflix Content Obligations, 2019-2021.....	39
Estimated Programming Expenditures by Netflix, TV Access Providers, and Per Subscriber Spend Netflix Versus TV Access Providers, 2020-2022 .....	39
Estimated Netflix and TV Access Providers Content Costs as a Percentage of Revenue, 2020-2022 .....	39
Amazon Prime: Leverage .....	54
Apple TV+: From Free To Bundle To... .....	62
Network Programmers: Disney/Hulu, Paramount, AT&T/Warner/Discovery, Comcast/NBCU, Lionsgate's Starz, Philo.....	68
Disney's Hulu: Price Rises, Discounts and Sub Growth, Programming, Profitability and Comcast.....	70
Disney+: Subscriber Growth Moderates.....	79
Paramount Streamlining and Expanding OTT: Paramount+, Showtime, BET+, Noggin, Pluto TV.....	84
AT&T/Warner's Game of Transitions Continues: HBO Max, Discovery, CNN+ .....	91
Discovery+: Balancing With Linear .....	99
Comcast/NBCU's Peacock: The TV Everywhere Plus of OTT.....	101
Lionsgate's Starz: Growth Moderates, What's Next .....	107
A&E/AMC/Discovery/Paramount's Philo: Can It Scale or Co-Exist .....	108
vMVPD OTT: Dish's Sling TV, FuboTV, and Google's YouTube TV.....	110
Sports OTT: DAZN, Disney's ESPN+, FloSports, Liberty Media's F1 TV, Horse & Country, MLB.TV, Discovery's Motor Trend OnDemand, Kroenke's MyOutdoorTV, NBA League Pass/TV, NFL Game Pass, Sinclair's Bally Sports & Tennis Channel Plus .....	116
Niche TV OTT: A&E's Crime Central & History Vault, AMC's ALLBLK, AMC+, Acorn TV & Sundance Now, BBC/ITV's BritBox & BBC Select, Curiosity Stream, Discovery's Food Network Kitchen, First Look Media's Topic, Fox Corp.'s Fox Nation, KBS-MBC-SBS's Kocowa, PBS's PBS Documentaries, Kids, Living & Masterpiece, Sony's Crunchyroll & Funimation, Rakuten's Viki, Warner's Boomerang, Univision Now .....	122

Niche Movie OTT: A&E’s Lifetime Movie Club, AMC’s IFC Films Unlimited, Shudder, BFI Player Classics, Cinedigm’s Screambox, Crown Media’s Hallmark Movie Now, E.W. Scripps’ Brown Sugar, Filmatique, Gravitass Movies, Janus Films’ The Criterion Channel, Magnolia Selects, MGM’s Epix Now, Mubi, Ovid, Pantaya .....	129
---	-----

**SECTION THREE: PROFILES ..... 133**

A&E Networks.....	134
Amazon Prime .....	135
AMC Networks.....	144
Apple TV+ .....	146
AT&T/Warner Bros. Discovery .....	151
Comcast/NBCUniversal .....	163
Dish/Sling TV .....	170
Fox Corp. ....	172
Google/YouTube.....	173
Lionsgate/Starz .....	175
Netflix.....	177
Paramount .....	191
Walt Disney/Hulu .....	198

## Commentary

Since 2003, we have published our Couch Potato Report series every year. **The Battle for the American Couch Potato: OTT and TV, May 2022**, (214 pages), contains detailed analysis of offers (including prices & programming), deals & rights, strategy, subscriber & financial performance metrics (including forecasts) by Company & Market. In addition to Convergence analysis, sources include company interviews, annual / quarterly reports & presentations, US Census.

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

Based on analysis of over 75 OTT services (over 50 providers), led by Netflix, Disney /Hulu, Amazon Prime, Warner Bros. Discovery, we estimate 2021 US OTT access revenue grew 37% to \$39.4 billion, and forecast 28% growth to \$50.7 billion in 2022, \$X billion in 2023 and \$X billion in 2024. We forecast 2024 spending on OTT access will be X% of what is spent on TV access, up from X% in 2021, however we project TV ARPU will still be X times OTT ARPU.

Programmers continue to take revenue market share and we forecast will represent X% of 2022 US OTT access revenue versus X% for Independents and X% for TV Access Providers, and X%, X%, X% respectively in 2024. Major programmers face a complicated trajectory not only in terms of competition and profitability but balancing linear & OTT programming, advertising, and theatrical distribution. Though in decline, traditional US TV access (which despite perennial price rises is steadily losing margin), advertising, and programming is still a \$220 billion business.

We project 2022-2024 annual US OTT household penetration, subscriptions per household, and net OTT subscriptions added will each progressively see more moderate growth (we forecast 80 million additional US subscriptions in 2022 and 50 million in 2024).

We estimate Broadcast & Cable TV Network Online advertising, propelled by OTT (AVOD, FAST, SVOD), will represent X% of 2022 rising to X% of 2024 US TV advertising revenue.

We estimate 2021 US Cable, Satellite, Telco TV access revenue declined 4% to \$91 billion and forecast a decline of 6% to \$X billion in 2022 (hence ARPU should grow X%), with decline increasing to X% in 2024 to \$X billion.

We estimate 2021 saw a decline of 6.47 million US TV subscribers, 2020 a decline of 6.49 million, and we forecast a decline of 7 million TV subs in 2022, X million in 2023, and X million in 2024; hence US TV subscribers declined by X% in 2021, up from X% in 2020, and we forecast decline will rise to X% in 2022, X% in 2023 and X% in 2024.

As illustrated in our US Cord Cutter/ Never Household Model, as of YE2021 we estimate X million US households (47% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, up from X million (42% of HHs) YE2020, and we forecast a rise to X million (53% of HHs) YE2022, X million (X% of HHs) YE2023, and X million (X% of HHs) YE2024. 2021 saw X million, 2020 X million, and we forecast X million 2022, X million 2023 and X million 2024 cord cutter/ never household additions.

Extending out forecasts to YE2027 from YE2021, demonstrates a decline of more than X% of TV subs, close to X of annual TV access revenue, a X of cord cutter/ never households and more than a X in OTT access revenue. At current run-rate OTT access revenue will exceed TV access revenue in X. By YE2027 under X% of US homes will be traditional TV subscribers down from X% YE2024 and X% currently.

As TV access providers are also broadband providers there are also benefits to facilitating the rise of OTT. Although 2021 residential broadband subscriber gains were lower than 2020, 2021 gains were still substantial and we forecast 2022-2024 will see higher annual gains than 2021. Annual residential broadband revenue has more than doubled over the last decade, while TV access revenue is in its 7<sup>th</sup> year of decline, and residential broadband subscribers surpassed traditional TV subscribers in 2017. We forecast 2022 residential broadband revenue will be on par with 2022 TV access revenue.