

The Battle for the American Couch Potato: OTT and TV

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Commentary

Since 2003, we have published our Couch Potato Report series every year. **The Battle for the American Couch Potato: OTT and TV, March 2024**, (223 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 90 OTT services (over 50 providers), led by Netflix, Disney /Hulu, Amazon, WBD we estimate 2023 US OTT access (subscription) revenue grew 19% to \$59.2 billion, and forecast 17% growth in 2024 to \$69 billion (matching 2024 US TV access revenue). Based on a number of factors explored in this Report we expect double digit growth rates will sustain through at least 2026.

US OTT household penetration, subscriptions per household, and net OTT subscriptions continue in most cases to see more moderate annual growth. We forecast net paid US OTT subscriptions added per annum will run on average 40% less 2024-2026 than 2021-2023, even with 2024 being a stronger projected year for net subscription additions than 2023. We forecast total US paid OTT subscriptions, which we estimate reached 497 million YE2023, will continue to grow in the single digits (down from pre-2023 double digit growth). Changes in OTT subscription offerings with a focus on advertising, price, profitability, explored in depth in this Report, have logically followed. Based on the 10 largest OTT providers, average US price increase was 11% in 2022 and 2023 and we forecast 2024 will be similar. That being said OTT offers with advertising represent a significant cost savings (on average 45% less) to similar offers without advertising.

We have expanded our online TV advertising segmentation and now cover free ad-supported AVOD (includes FAST) and paid OTT subscription with ads SVOD, by both US Broadcast & Cable TV Network players and Independents. Based on our forecast trajectory, US AVOD and SVOD TV advertising revenue will exceed traditional US TV advertising revenue in X.

We estimate 2023 saw a decline of 7.76 million US Cable, Satellite, Telco TV subscribers, and we forecast a decline of 7.1 million TV subs in 2024; hence US TV subscribers declined by 12% in 2023, and we forecast 13% in 2024 and 15% in 2026.

We estimate 2023 US Cable, Satellite, Telco TV access revenue declined 10% to \$77.6 billion and forecast a 11% decline in 2024 (ARPU should grow 2%) and 13% in 2026.

As illustrated in our US Cord Cutter / Never Household Model, as of YE2023 we estimate X million US households (60% of HHs) did not have a TV subscription with a Cable, Satellite, or Telco TV access provider, and we forecast a rise to 75% of HHs YE2026.

Extending out forecasts to YE2029 from YE2023, demonstrates a decline of X% of TV subs and annual TV access revenue, a X% increase in cord cutter / never households and a X of annual OTT access revenue. Net-net traditional TV access is well into becoming a niche product.

As TV access providers are also broadband providers there are benefits to facilitating OTT. Annual residential broadband revenue has more than doubled over the last decade.