

The Fog of 'Streaming' Wars

Prof. Dr. John Oliver

Bournemouth University, UK

(Former) President, European Media Management Association

Advisor, Horizon Scanning & Foresight Committee, UK Parliament



A Topical Subject!



digital
agenda
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Outline

- The Strategic Context
- Global v Local SVOD Players
- Strategic Outlook
- The New Normal: familiar competitive positions
- Strategic Outlook: managing uncertainty
- Conclusions

2007

hulu

NETFLIX

prime video

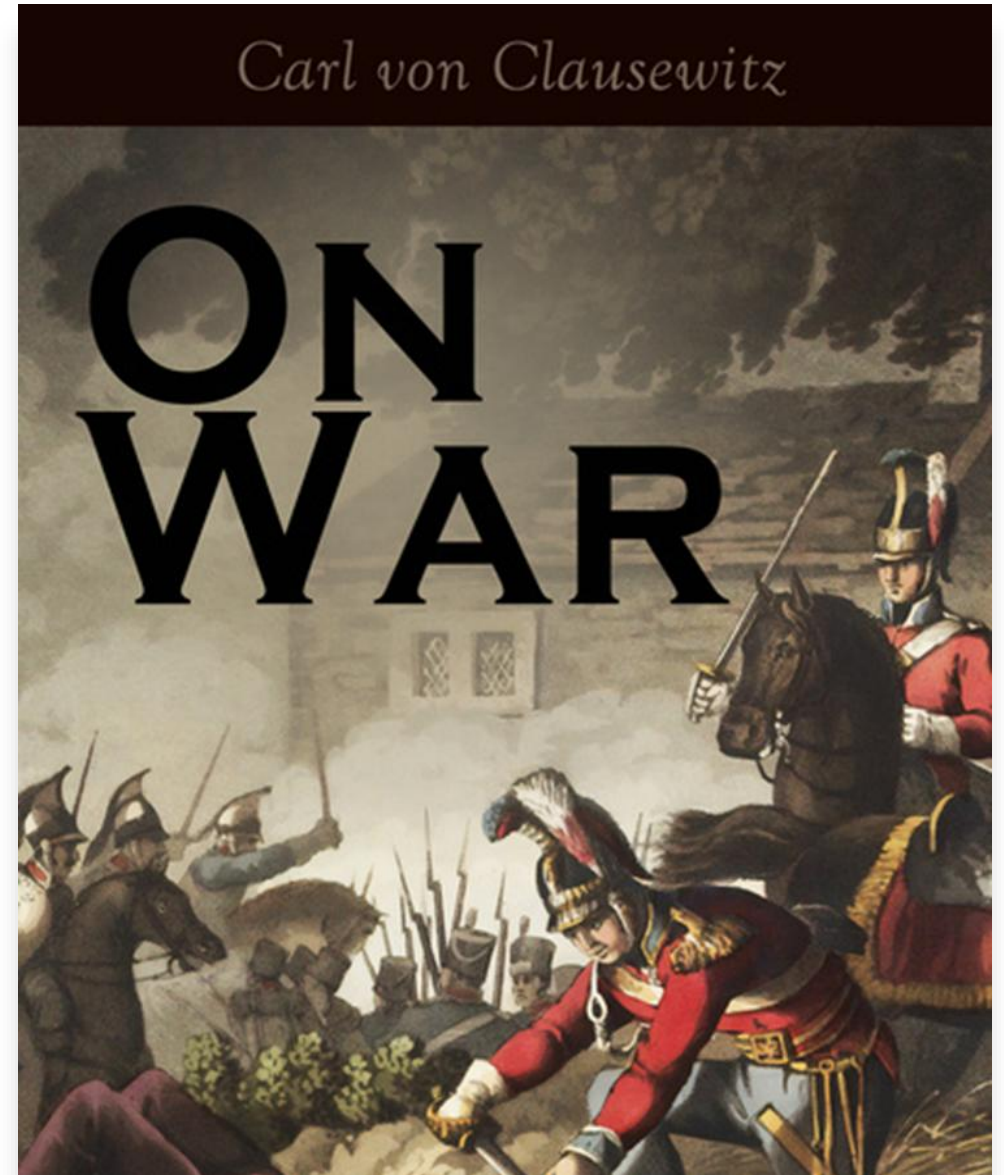
2021



The Fog of War

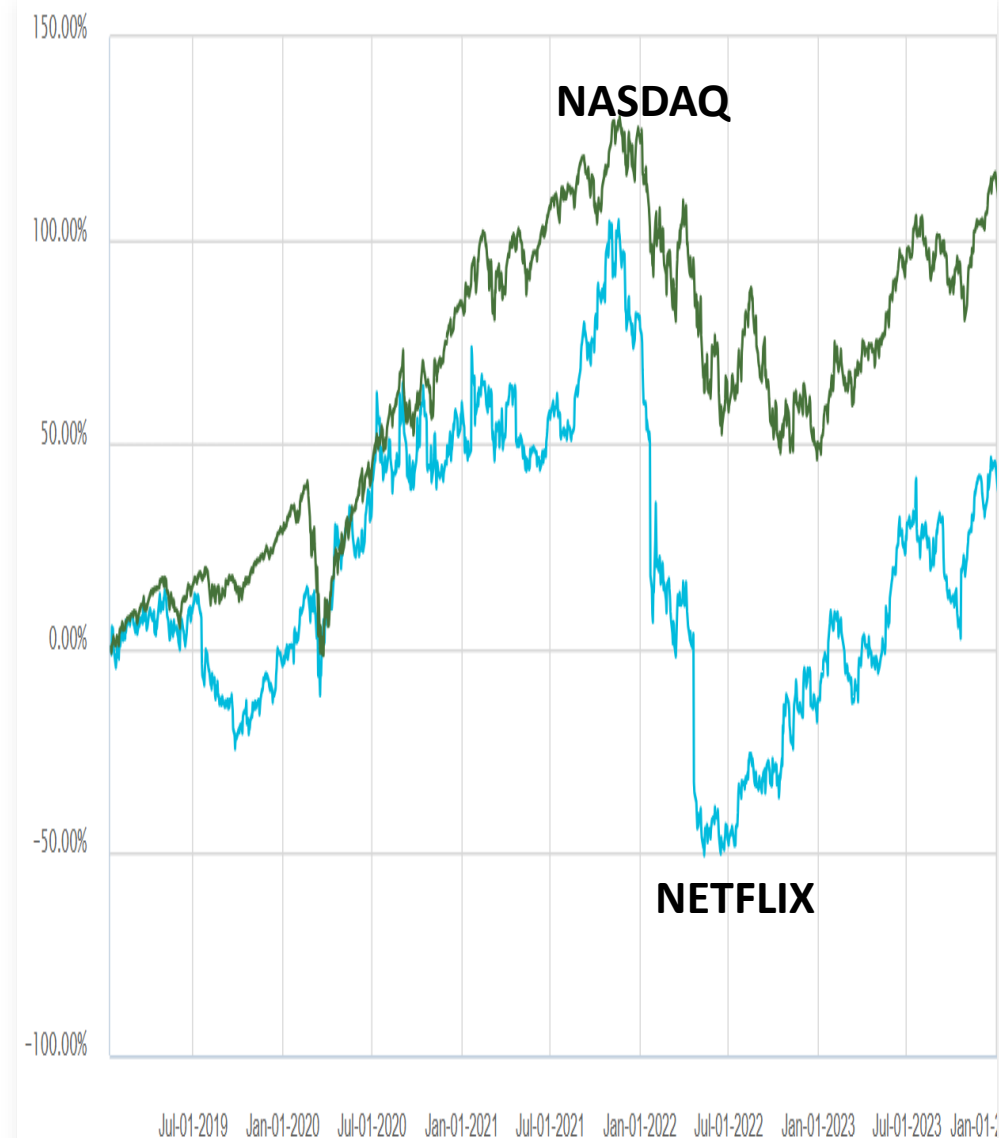
‘War is the realm of **uncertainty**; three quarters of the factors on which action in war is based are wrapped in a **fog** of greater or lesser uncertainty’.

Von Clausewitz (1832)



The Fog of War: Netflix

- **USP is the variety and quality of content**
- **Q4/23 260m paid memberships (+12% y-o-y)**
- **Q4/23 Revenues \$8.8bn (+12% y-o-y)**
- **Q4/23 Net Income \$938m (down 44% from Q3)**
- **FY Operating Margin 21%**
- **Share price down 30% since peak (October 21)**
- **Market sentiment indicates a tough outlook**



Strategic Context: looking back

- SVOD players thrived during the COVID-19 pandemic which shifted traditional broadcast to non-linear consumption
- EU27 SVOD consumers @ 133mn generating €10.7bn (2021)
- European SVOD customers grew 40% (2020), 32% (2021)
- Global market share: Netflix (24%), Amazon (20%), Disney+ (15%); Apple TV+ (6%)
- No local SVOD player has more than 5% market share
- Corporate focus on subscriber growth and market share

Source: European Audiovisual Observatory (2023)



Strategic Context: current view

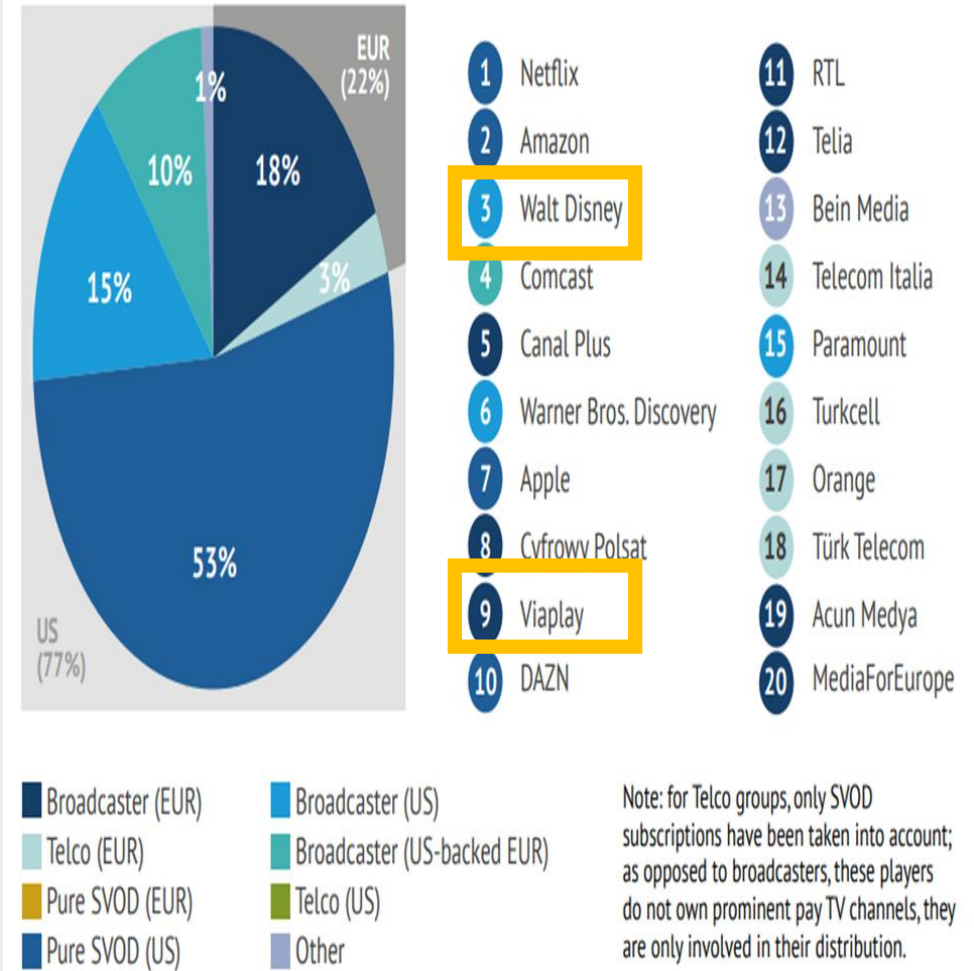
- SVOD market is maturing fast
- Subscriber numbers for Netflix +13.1m (Q4/23)
- Disney+ -4.6m (Q2/23); -11.7m (Q3/23); +4.1m (Q4/23)
- Major players rolled out ad-supported (AVOD) tier to generate additional revenues
- AVOD provides consumers with cheaper and more flexible options
- Growth driven by Tier 2 SVOD services (HBO Max, Apple TV+, Peacock, Paramount+, Discovery+)
- Piracy remains a significant 'competitor'



Global v Local SVOD

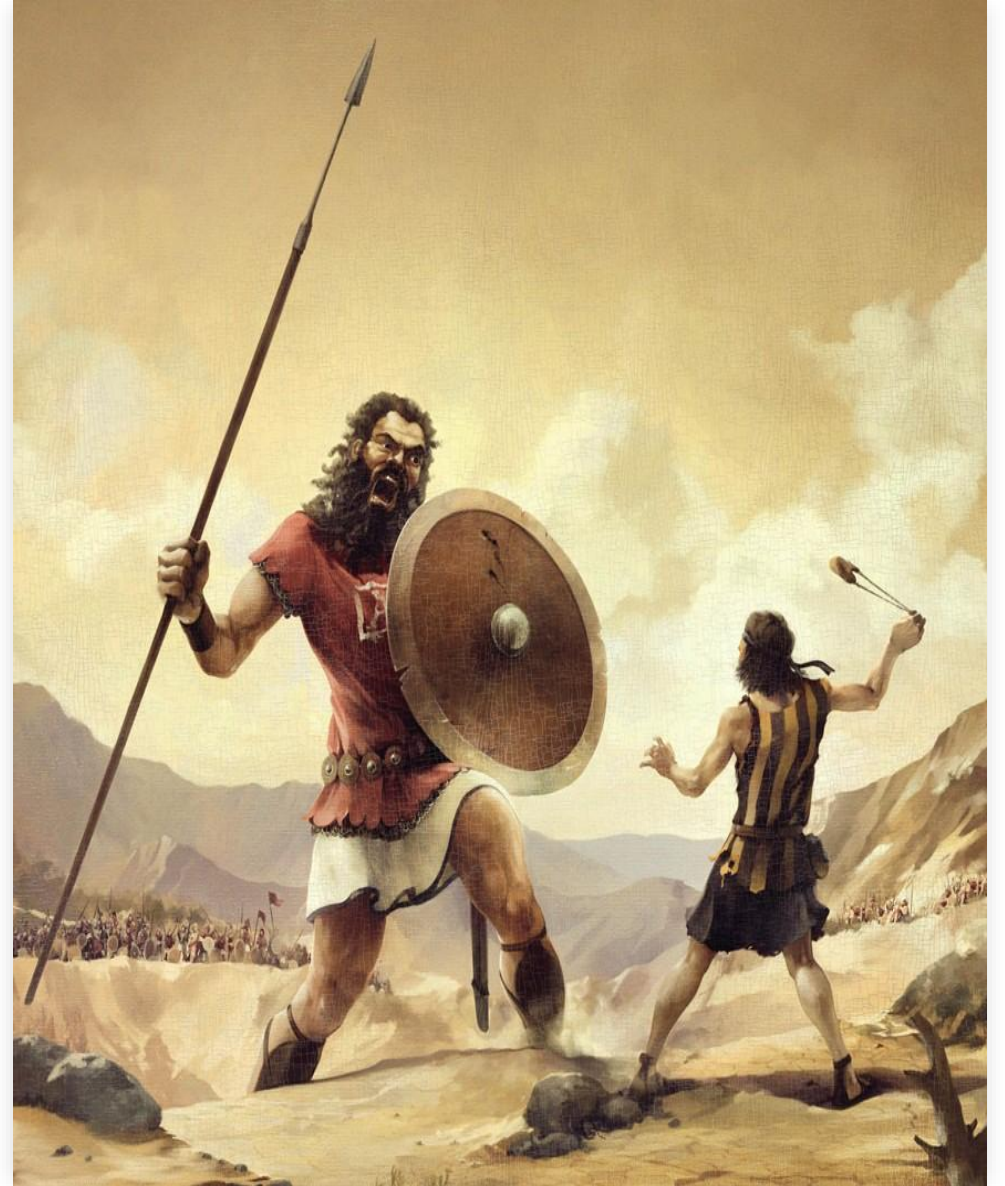
- The battle between Global Players and Local Players will intensify
- Global players already have a 'foothold' in European local markets
- 60%+ of Netflix and Disney+ subscribers are outside of the US
- Global and Local players both have competitive advantages AND disadvantages

Breakdown of subscriptions to pay-AV services by type and origin of group owning a prominent pay-TV channel or SVOD platform (2021 - in %)



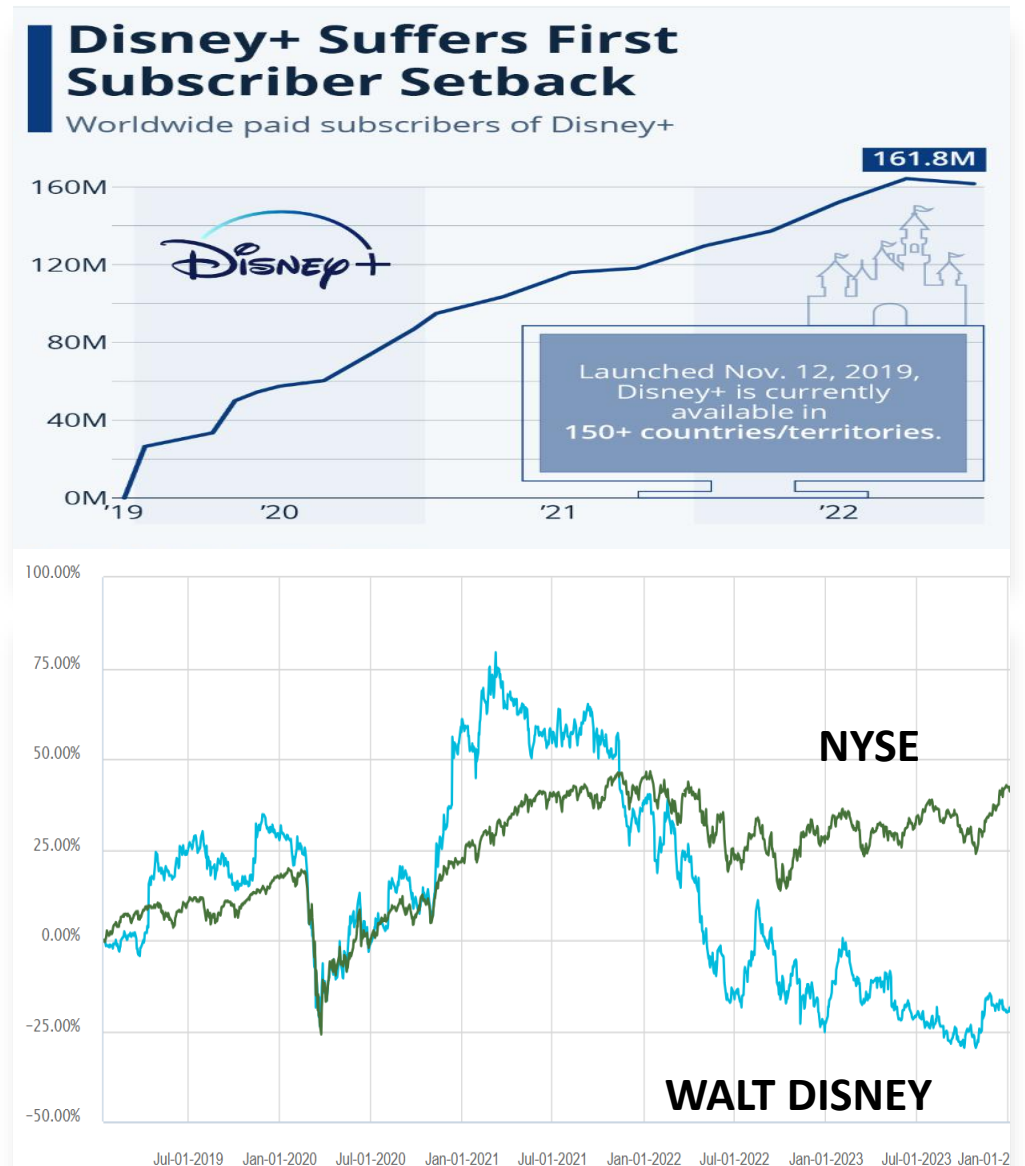
Global v Local SVOD Players

- **Walt Disney: MCap \$184bn; Revenue \$87bn; \$10bn cash**
- **Viaplay: MCap \$1.9bn; Revenue \$1.6bn; \$194mn cash**
- **Global Players have 'scale' and 'scope' advantages enabling viable market expansion**
- **Local Players have competitive advantages by producing/acquiring domestic content 'faster' and more 'cheaply' within a local regulatory framework**



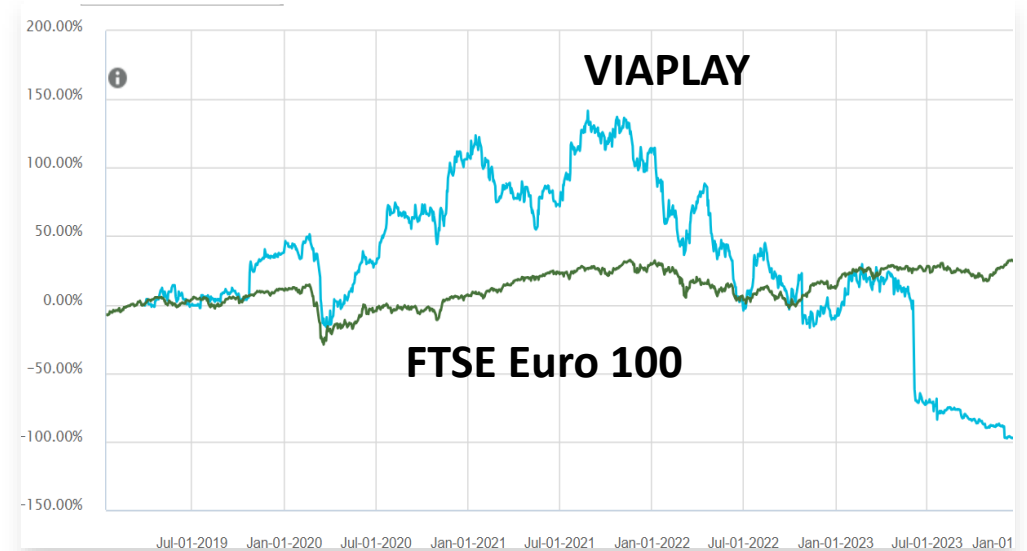
Disney+ global growth ambitions

- Invested \$10bn into its streaming business since 2019
- 150m SVOD subscribers (Q4/2023)
- Lost 4.6m SVOD subscribers from the loss of Indian Premier League cricket rights (Q1/23)
- As growth slowed, streaming losses increased (\$2.6bn y/e September 2023)
- A strategy of 'growth-at-all costs' has pivoted to a drive to 'cut costs' and 'raise subscription prices'
- 'Cost Reduction Strategy' aims to save \$7.5bn and cut 7,000 jobs



Viaplay international growth ambitions

- International expansion strategy in Netherlands, Poland, UK, US and the Baltics
- The strategy moved from niche Nordic Crime to incorporate expensive sporting rights (Formula One and Premier League football)
- Failed to expand profitably outside its home market
- Cost of living crisis and price increases resulted in higher customer churn
- CEO sacked, share price slumps and long-term guidance for sales withdrawn (Q2/2023)
- Cost-cutting of 30%, strategic focus on localization of management and operations



Swedish streamer Viaplay ousts chief and issues profit warning

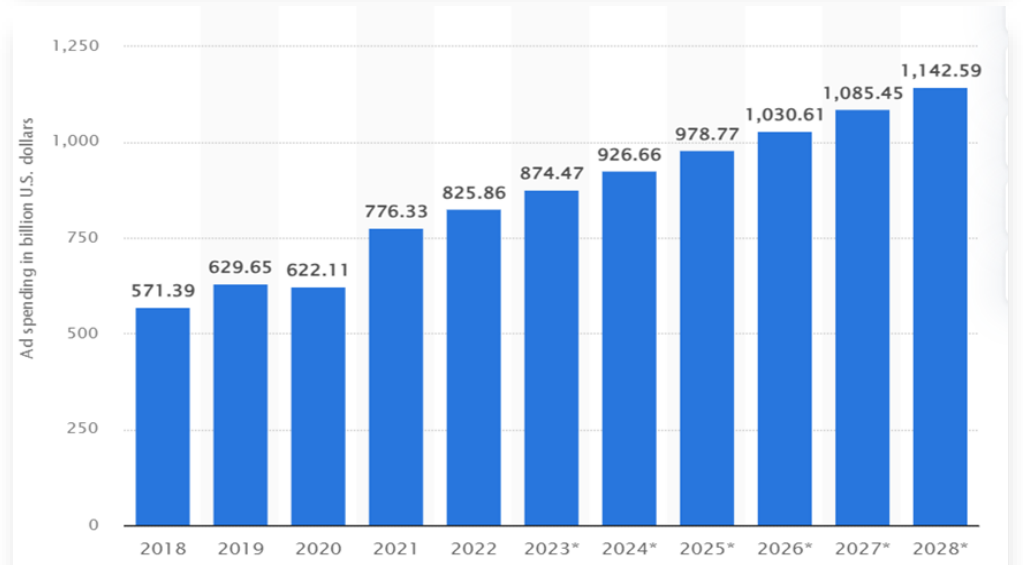
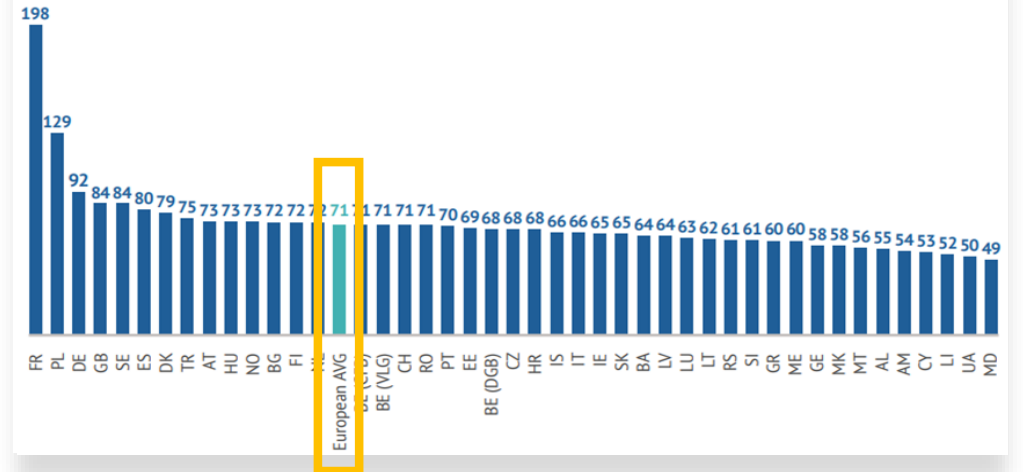
Shares in company styled as rival to Netflix and known for Nordic drama plunge by more than 60%



Strategic Outlook

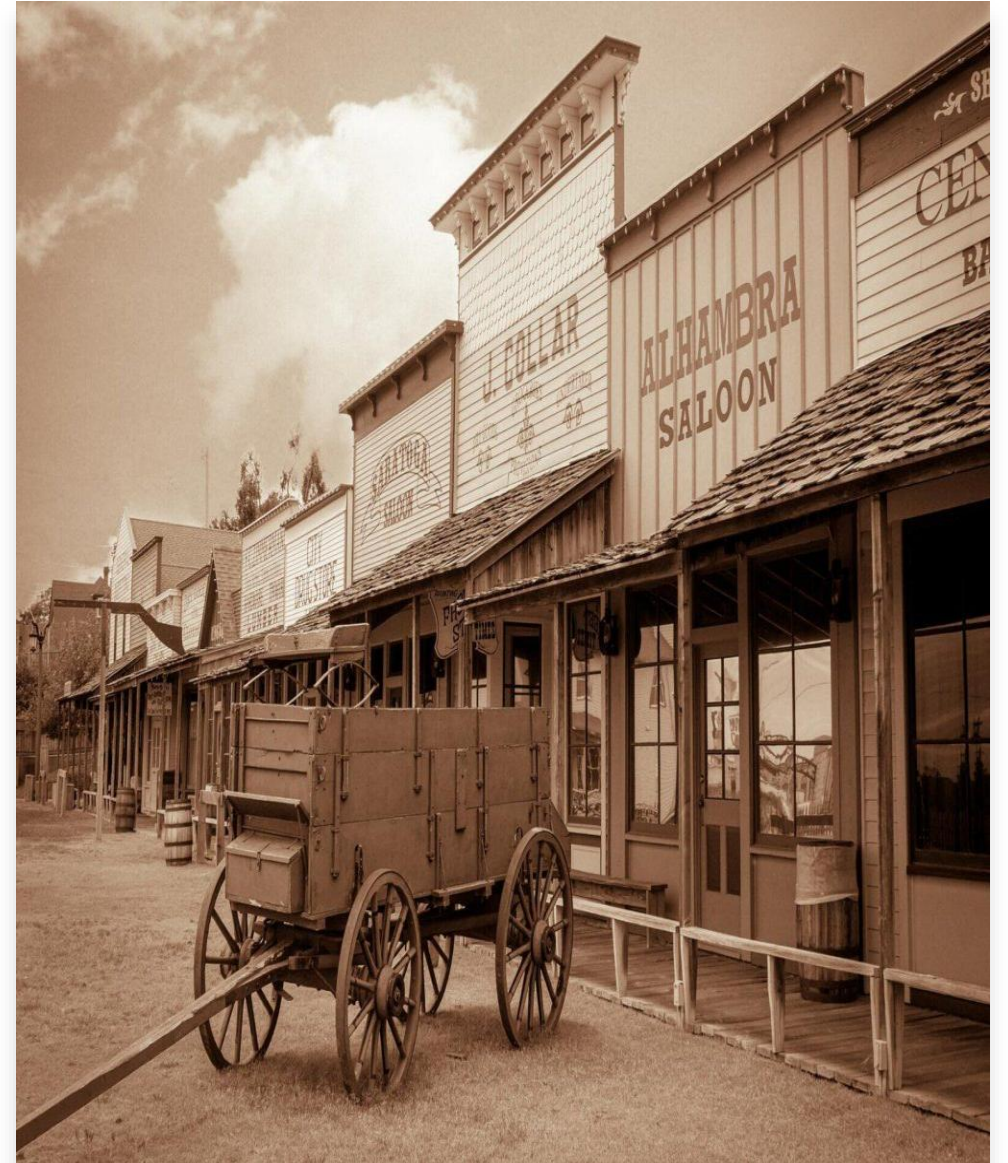
- SVOD market growth rates will normalize
- An over supply of SVOD providers
- Global advertising grows 38% by 2028
- 55yrs+ in the USA saw SVOD growth of 60% (2022-23) and a decline of 11% in PayTV
- An opportunity to think creatively about 'customer value' in SVOD market

Number of available SVOD services by country (2022 - in number of services)



Strategic Outlook

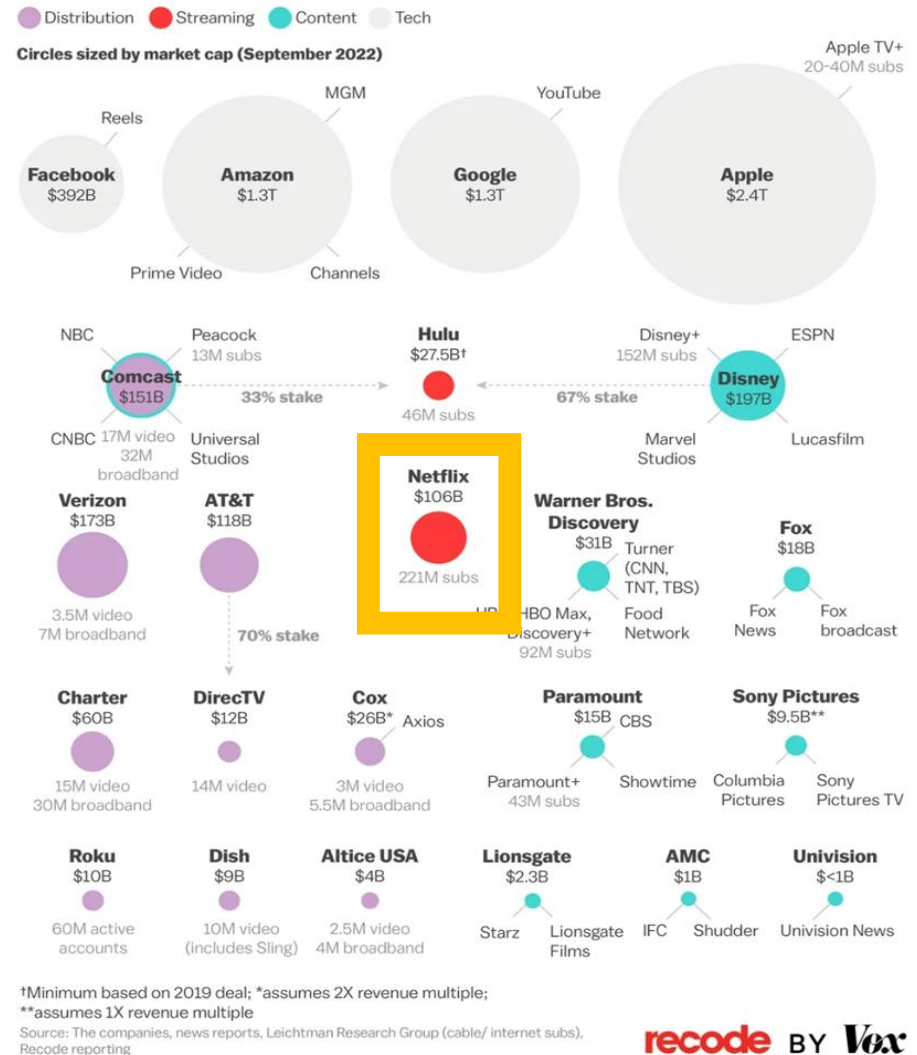
- **Competitive strategies will ‘look familiar’**
- **SVOD choice increased consumer bargaining power**
- **AVOD will become the norm and offer consumers ‘value’ through different price points**
- **SVOD players will cut back on investment in high-quality content production and acquisition**
- **The major players will offer ‘bundled’ media and entertainment to SVOD customers**



Strategic Outlook

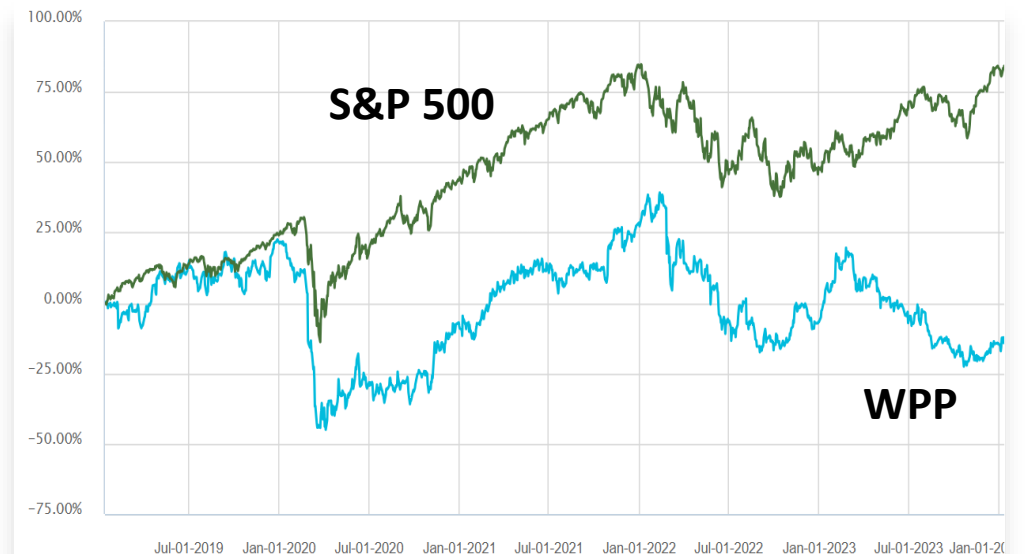
- Industry consolidation is inevitable!
- Corporate strategies will focus on profitability, economies of scale, operational efficiency
- Growth by merger and acquisition
- Leading players exert power to control prices and costs through scale advantage
- **“Scale advantage”** results in efficient access to markets, higher profitability, lower customer prices

Media landscape



Strategic Outlook

- The storm clouds are gathering
- IMF Uncertainty Index at its highest level
- Central banks strategy to drive down inflation
- Discretionary consumer spend influenced by inflation
- Property bubbles in the USA and China
- The impact of AI...?
- A complex advertising environment



WPP: a complex competitive environment

Twitter to become 'accurate data source' in bid to woo advertisers, says new boss Yaccarino

The Telegraph June 2023

Retail media ad revenue forecast to surpass TV by 2028

REUTERS June 2023

Apple Is Stepping Into the Metaverse. Will Anyone Care?

Interest in the futuristic, immersive digital world is fading just as Apple plans to debut a virtual reality device.

The New York Times June 2023

AI WILL IMPACT AT LEAST HALF OF ALL AD REVENUE IN 2023, GROUPM PREDICTS

AdAge June 2023

Netflix Password Sharing Crackdown Could Drive Ad-Supported Subs

VIDEOWEEK May 2023

Bud Light fumbles, but inclusive advertising is here to stay

CBS April 2023

With Help From Nvidia, WPP Is Becoming an AI Company

ADWEEK June 2023

Brands increase TikTok spending despite threat of US ban

Digital advertising on the Chinese-owned video app grew by 11% in March

FINANCIAL TIMES April 2023

Instagram's Threads: 'Almost every influencer will be hopping on it'

BBC NEWS June 2023

UBER / RIDE-SHARING / TRANSP

Uber's about to stick video ads in its cars, apps, and anywhere else it can / 'We know where you are, we know where you are going to, we know what you have eaten.'

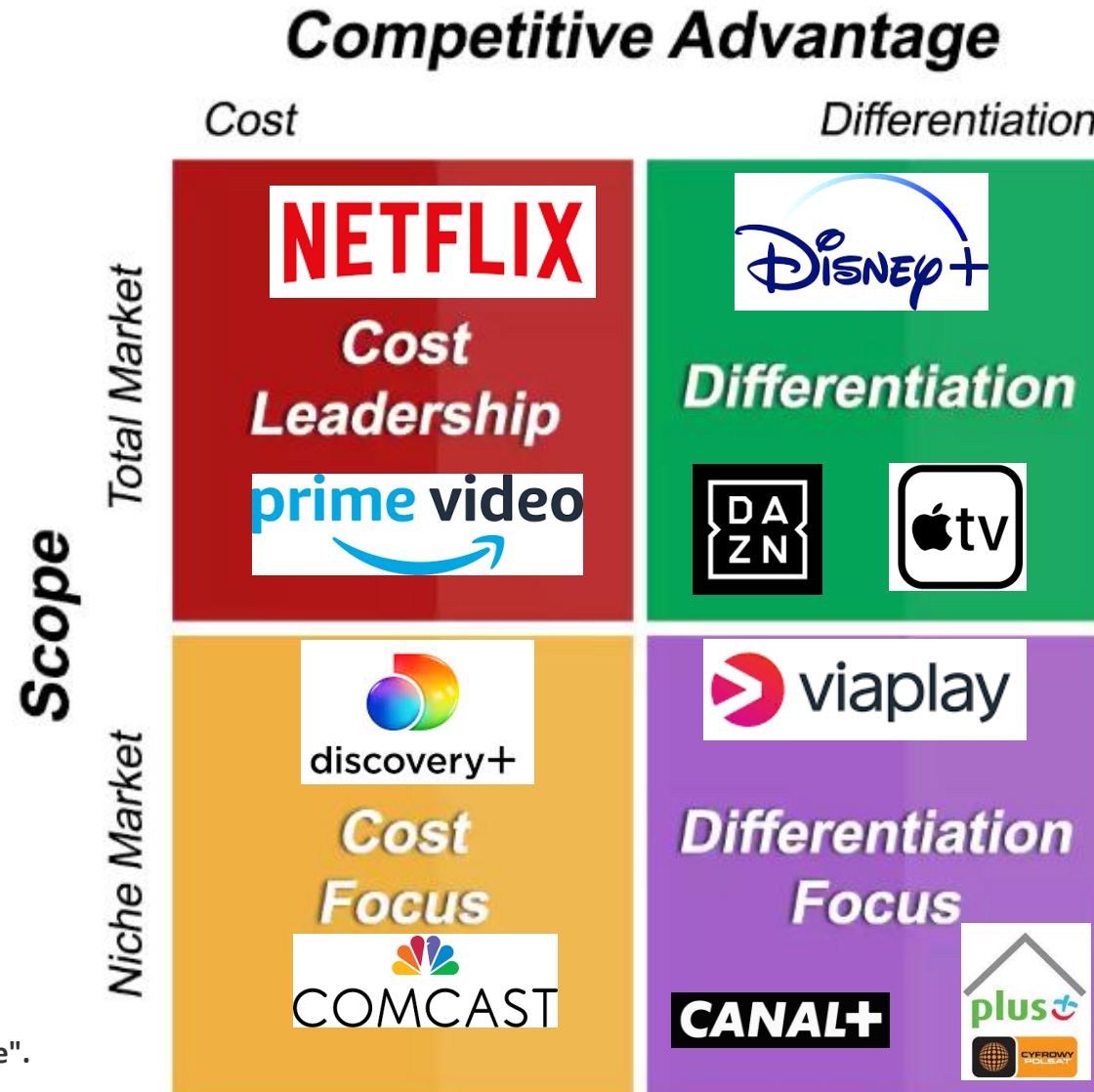
The Verge June 2023

Litigation | Attorney Analysis | Data Privacy

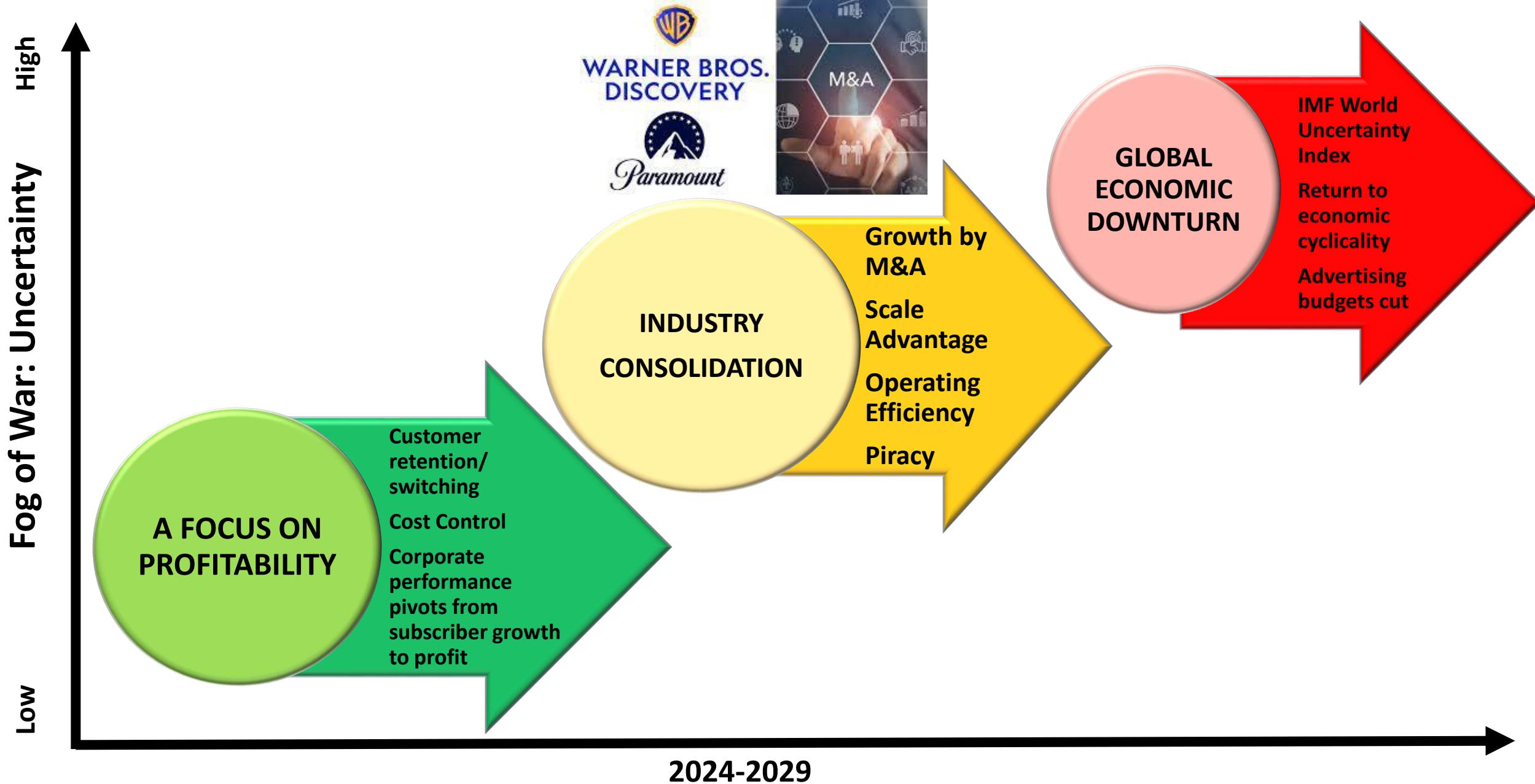
U.S. data privacy laws to enter new era in 2023

REUTERS January 2023

The New Normal: familiar competitive strategies

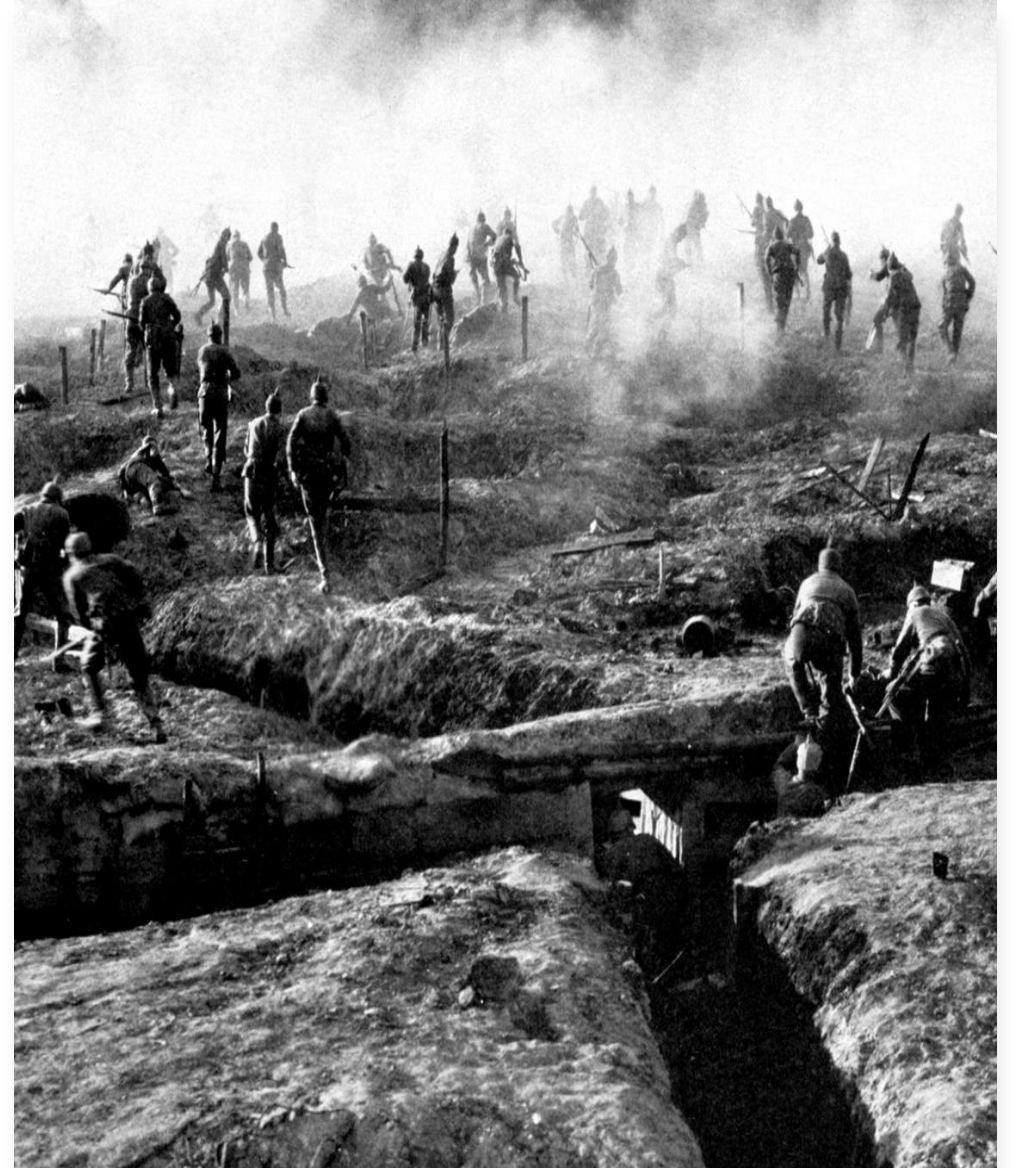


Strategic Outlook: managing uncertainty



Conclusions

- The Fog of War will start to lift
- Competitive positions will be established and defended
- SVOD 'life cycle' moves from growth to maturity
- The primary corporate goal = profitability
- The 'new normal' for SVOD will increasingly look 'familiar'



Many thanks for your time!

Contact: John Oliver (joliver@bournemouth.ac.uk / [Linkedin](#))