OTT Streaming Trends to Watch in 2022

A PARKS ASSOCIATES WHITE PAPER

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The worldwide pandemic has cemented customers' migration online and away from traditional cable television. Video viewers believe that streaming services are less expensive, more convenient, and more aligned with the way they wish to consume video programs than traditional television broadcasts. Over the past two years, rapid transformation and continually shifting customer preferences have forced service and device suppliers to be prepared to adapt on an almost daily basis. Service providers, both conventional and online, will need to change their respective strategies and services in order to keep up with this constantly evolving customer base and supply attractive video content when, where, and how customers want to view it.

The industry's resiliency and flexibility were proved this year, and the groundwork has been laid for the changes we may expect in the new year. The billion-dollar streaming market will be reshaped in 2022 by a new set of trends. The rise of FAST (Free Ad-Supported Television), direct-to-consumer products, and the increasing number of connected televisions on the market will shape streaming services in 2022. However, the most important trends that will establish industry players' long-term strategies include the cementing of the smart TV as the default connected streaming platform, content partnerships and service acquisitions, business models that accept and respond to churn as a normal course of business, and content creators reaching their audience directly.

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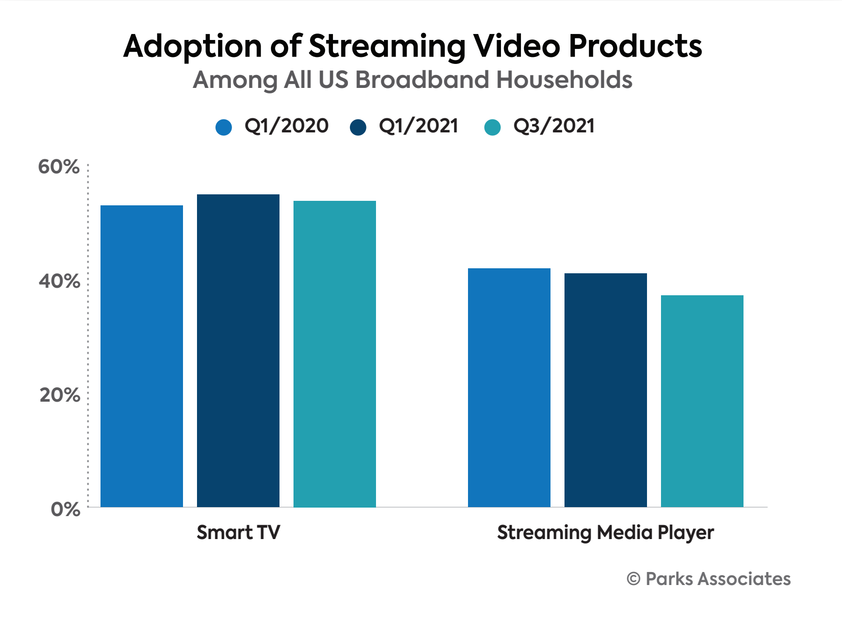
Smart TVs are on Fire

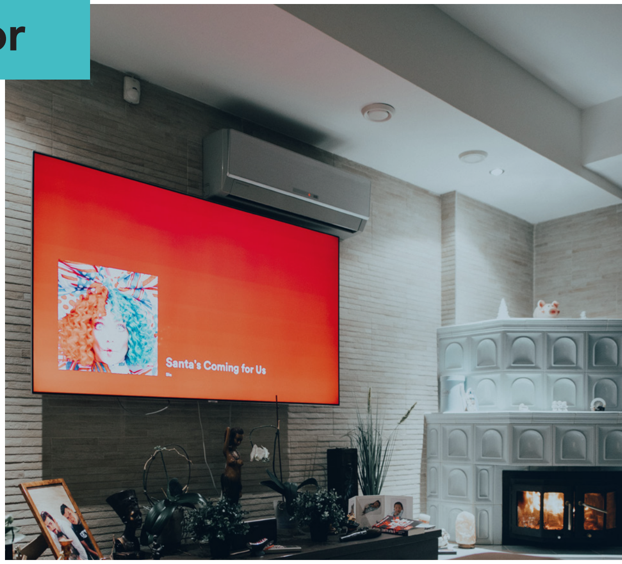
As smart TVs become the default platform through which consumers access video content, the number of standalone streaming devices will fall. Consumers are increasingly interested in having all of their entertainment available on a single device, as seen by the data on device sales. Revenue from Roku's hardware (players) division fell by 26% year on year to $97.4 million in the third quarter of 2021, according to the company. Smart TVs have become more affordable in recent years, have vastly improved their user interfaces, and do not require additional peripheral setup.

Smart TVs are viewed as must-have devices by an increasing number of US homes, and they are the only streaming video product category to have risen in adoption continuously throughout the pandemic. Households in the United States today possess a broad range of connected devices capable of showing video, but there is a clear pattern in terms of which devices are preferred for video consumption. According to Parks Associates, smart TV adoption in broadband homes remained consistent in 2021 at 54-56%, while streaming media players lost ground in the third quarter of 2021. We will continue to see this trend in 2022 and beyond. Using a connected TV eliminates the consumer's burden of navigating their HDMI ports, inputs, and wires. As a result, Roku, Google, Amazon, and Comcast are all competing in the smart TV platform market. Amazon and Comcast released their own smart TVs in the second half of 2021.

Due to the company's strong position in the smart television market, Samsung's Tizen smart TV platform is among the most widely used connected entertainment platforms in broadband households in the United States, at par with Roku. In Q3 of 2021, 27% of broadband subscribers reported that Samsung Tizen Smart TV was their primary device for consuming video content. Amazon has expanded into the smart television market as well with two product lines: the Fire TV Omni Series and the Fire TV 4-Series. Amazon's performance in the TV market will be a major competitive factor to watch in 2022.

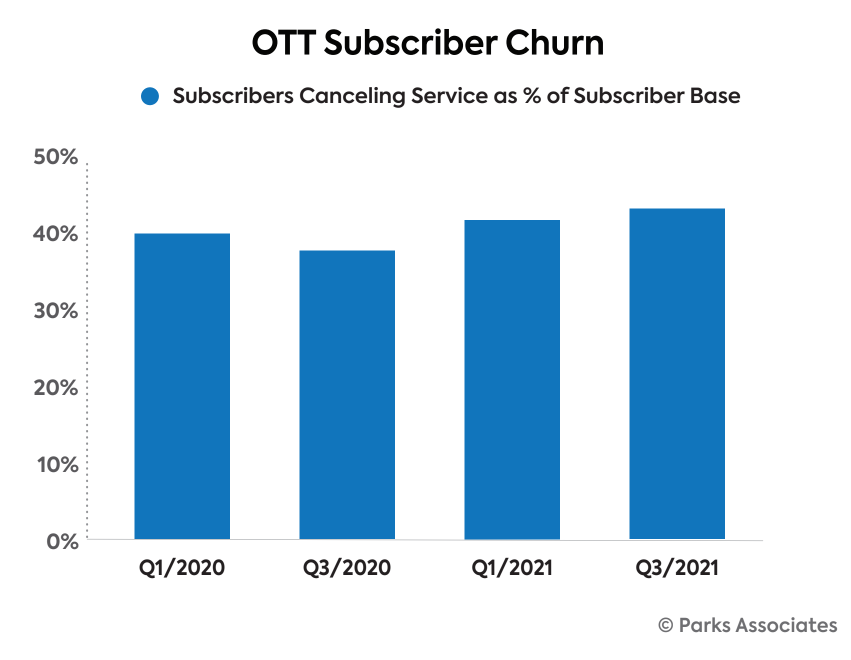


Churn is Normal: Executing on Retention Strategies is a Differentiator



Consumers switch between streaming services much more easily than traditional pay-TV services because of free trials and the lack of contractual obligations. In streaming, the churn rate is defined as a measurement of the percentage of accounts that cancel or opt not to renew their memberships. Today's streamers tend to subscribe to one or more foundational services — typically Netflix, Amazon Video, or Hulu — and then subscribe to three or more additional services each offering unique and differentiated material.

Consumers hold on to the services that they use the most and jump among the others, paying for a program or season and then canceling when they are finished. As demonstrated in the churn rate for SVODs (Subscription Video on Demand) that Parks Associates regularly tracks, the churn rate from 2020 to 2021 increased 5.5% from a year ago.



All OTT service providers, regardless of their revenue model, must be proactive in efficiently engaging and retaining customers. Retention tactics must include an enticing content offering, a thorough user experience, and a price point that is proportionate to the service's perceived value. Streaming services will want to adapt their performance metrics and their approach to retention to address this reality.

In 2020, the average churn rate was 40%. Today's churn rate is 45%.

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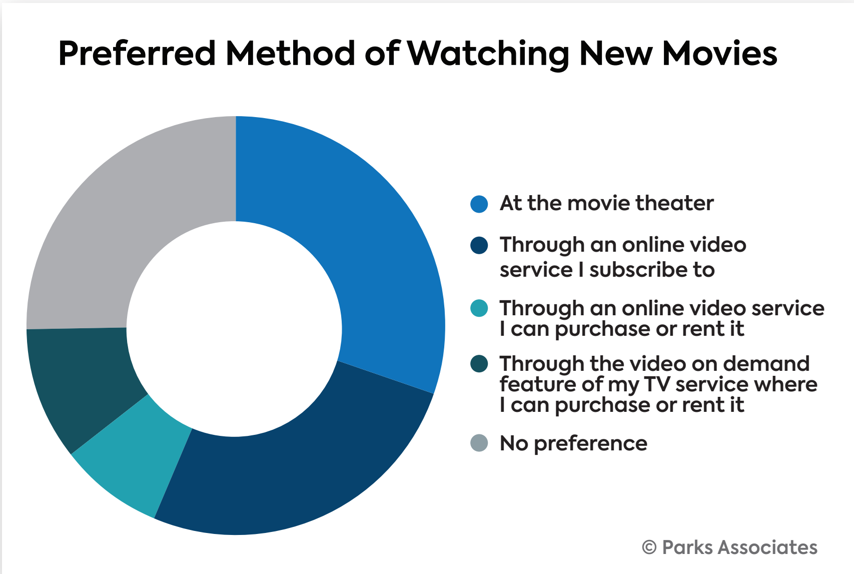
Consumers usually look at each service on their own, rather than making trade-off decisions about which service is better than the other. Because of this, the number of subscriptions they have may rise and fall over time, recognizing the churn will continue to increase and be normalized in 2022.

Hybrid Windowing Continues, but the Box Office Regains some Strength

Windowing is a term that refers to the length of time during which a specific type of content distributor is granted exclusive access to display a movie or film to the public. Traditionally, a feature film is first released in theaters, then on DVD, pay-per-view/video-on-demand (VOD), and finally, on broadcast TV. As the landscape of traditional distribution models shifts, so too have the windows available to distributors. Prior to the pandemic, theater owners may have been able to demand an exclusive 90-day theatrical window. [1]

2020 may go down in history as the year with the lowest box office revenue, with sales falling by an astounding 80% from the previous year. Because of the historic decline at the box office, major movie studios have been forced to reevaluate their windowing strategies. Today, the major film studios have adopted a 45-day window.



The Centers for Disease Control and Prevention (CDC) reports that 63.7 percent of the US population is immunized. The US population is returning to work, and consumers are more engaged in terms of entertainment options outside of their homes than they were in 2020, which is excellent news for the movie business.

In the United States and Canada, *Spider-Man: No Way Home* was by far the biggest hit of the year, collecting $260 million in its first weekend of release in both countries. As a result, it had the greatest opening weekend of any movie during the pandemic. It was also the second-largest domestic opening in history. Following the Christmas holiday, the movie reached over a billion dollars globally.[2] That's something for the business to celebrate. Non-superhero films, on the other hand, struggled to draw audiences to the theaters. *West Side Story* by Steven Spielberg and Guillermo Del Toro's *Nightmare Alley* were among the critically lauded films that hardly registered at the box office.

The COVID-19 dilemma has led film studios to reconsider how, when, and where new movies will be distributed. As movie theaters shuttered, online video services benefited from this shift in content windowing because many new films debuted on these platforms. As a result, customer preferences shifted in late 2020 and early 2021 toward OTT and pay-TV providers. However, as the damaging effects of COVID-19 fade and movie theaters reopen, consumer behavior is shifting back to traditional venues as the main access point for new movies. Parks Associates' research finds that consumers prefer going to the cinema or watching it on a subscription online video service. Reiterating that movie studios benefit primarily from bypassing window exclusivity and subsequently releasing the film in theaters and direct-to-consumer.

What we can count on in 2022 is that there will be no windowing rules. While action-adventure releases may do well at the box office in 2022 and may justify 90-day windows, other films will be a mix of direct-to-streaming, simultaneous releases, or little or no box office windowing possibilities.

Consolidation Rules 2022

Mergers, acquisitions, and consolidation rumors in the entertainment industry are as old as the industry itself. The streaming sector is no exception, and it is not any less vulnerable to these sorts of business tactics. In the premium content market, a great deal has occurred in the previous 18 months. Despite the pandemic, there has been no shortage of mergers and acquisitions to report.

In recent years, Disney has acquired 21st Century Fox, assumed full control of Hulu, and also launched its own dominant streaming network, Disney+. Quibi, a mobile streaming service that shut down in 2020, caused consolidation in two ways: it removed a rival from the market and it allowed Roku to acquire its library of content. Amazon's acquisition of MGM, which took place in May of 2021, was the largest streaming media transaction to date. Amazon acquired MGM for $8.45 billion and now owns all of the company's media content.[3] Another large deal that might be completed in 2022 is Discovery's $43 billion merger with WarnerMedia, which would result in the development of a new conglomerate that would become a top player in the streaming wars. Discovery presently expects the WarnerMedia merger to close in mid-2022, subject to stockholder approval and regulatory approval. In November 2021, Lionsgate made the announcement that its board of directors authorized its management team to investigate spinning off or selling its Starz division.[4]

Major acquisitions are becoming one of the only options for streaming firms to compete in the face of a limited amount of accessible material. As a result, traditional media businesses are attempting to compete by consolidating. The entertainment environment, as depicted in the infographic below, may look drastically different by the end of 2022.

Entertainment Video Service Ecosystem

Broadcast (Digital Antenna)	Traditional Pay-TV (Live/linear channels delivered over managed network)	Over-the-Top Video Services, over the internet					
		Online Pay TV (Live/linear channels delivered over unmanaged networks, via app)			Standalone OTT services		
		Online Pay-Tv Limited to Subscribers	vMVPD Broadly Available				
			From Traditional Providers	Digital Newcomers	Subscription	Ad-based	Transactional
CBS	Altice	Spectrum TV Choice	Sling TV (DISH)	YouTube TV	Netflix	Pluto TV	Amazon Prime Video
ABC	CenturyLink	Spectrum TV Essentials	DIRECTV Stream	Hulu + Live TV	Hulu	Tubi	YouTube
NBC	Charter Spectrum	Xfinity Instant TV		Philo	Amazon Prime Video	Peacock	Google Play Movies & TV
PBS	Cox	Xfinity Stream		Fubo TV	Disney+	The Roku Channel	iTunes
FOX	Comcast Xfinity			Vidgo	Paramount+	Xumo	Microsoft Movies & TV
	DISH			Frndly TV	HBO Max	Crackle	Vudu
	Verizon Fios TV				ESPN+	IMDb TV	
	DIRECTV						

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NBCUniversal merged the WWE (World Wrestling Entertainment) Network with Peacock in April 2021. CEO Jeff Shell noted that because of the COVID pandemic, the Peacock Network (NBCUNIVERSAL) streaming service was behind on original programs and programming. Many industry executives believe that if Peacock wants to compete with Netflix, Amazon, Disney, and Hulu in the streaming wars, it will have to take drastic measures. A prospective acquisition of a content library or another movie company may provide Peacock with the necessary boost.

According to ViacomCBS CEO Bob Bakish, Pluto TV is profitable and ahead of predictions, although Paramount+, like all SVOD services, will take some time to become profitable.[5] Some analysts suggest that ViacomCBS is considering combining Pluto TV and Paramount+ under a single product. Alternatively, they could merge the offerings of PlutoTV and Paramount+ in anticipation of a future sale.

The small size and market capitalization of AMC Networks (which includes channels AMC and SundanceTV as well as BBC America, IFC, AcornTV, Shudder, and WeTV) have made it a desirable acquisition target for a few years, particularly when compared to its large media and big tech competitors. "I'm here to increase shareholder value," says Matt Blank, interim CEO, adding that he has no interest in assisting with a sale or other type of transaction.[6] It will be interesting to see whether this stays true in 2022.

We may see Amazon, Netflix, Disney, and Apple acquire smaller entertainment companies in need of a larger parent in the next year. It's clear that these multi-billion dollar acquisitions are all intended to disrupt Netflix's supremacy in the SVOD industry. Continued consolidation in the entertainment and television industries will be driven by streaming services' need for content in order to meet customer demands.

Content Creators Will Bypass Traditional Distribution Models

Streaming media providers should keep an eye out for online content producers in 2022. Popular digital content creators are circumventing established distribution models and building their own streaming applications from the ground up. For instance, KevOnStage Studios was created by comedian and multi-viral content producer Kevin Fredericks, whose stage name is KevOnStage. The niche streaming service is available on Web, Roku, Amazon Fire TV, iOS, and Android. Content features reality and scripted programming created exclusively by Fredericks and partners for his audience.

The appeal of having a streaming app is based on the financial opportunities it provides as well as the chance to retain content ownership rights. Fredericks and other digital content creators are able to monetize content, as well as draw audiences collected on social networking and video sharing platforms to their streaming applications and websites. This means by having their own streaming apps they retain ownership, as opposed to receiving a cut of advertising revenue from video-sharing sites and FAST services.

Higher subscriber retention or low churn could be predicted from these streamers, as customers are less likely to abandon a service for which they have a stronger brand loyalty than from other services. These smaller niche services are unlikely to make it onto any Top 10 OTT Services lists in the near future, but they will likely establish themselves as a co-existing presence in the market over the next few years.

[1] https://www.hollywoodreporter.com/business/business-news/2022-film-slates-windowing-is-getting-very-tricky-1235062678/

[2] https://www.latimes.com/entertainment-arts/business/newsletter/2021-12-21/hollywood-year-in-review-spider-man-2021-the-wide-shot

[3] https://www.makeuseof.com/amazon-buys-mgm-how-this-impacts-streaming/

[4] https://variety.com/2021/film/news/lionsgate-earnings-starz-streaming-subscribers-1235105302/

[5] https://deadline.com/2021/12/viacomcbss-bob-bakish-streaming-plutotv-simon-schuster-1234886189/

[6] https://variety.com/2021/tv/news/matt-blank-amc-networks-walking-dead-killing-eve-saul-1235130630/

About Parks Associates

Parks Associates, a woman-owned and woman-led internationally recognized market research and consulting company, specializes in emerging technology solutions serving the consumer and small to medium business (SMB) markets. Celebrating its 35th year in 2021, Parks Associates is a partner to companies navigating the changing consumer technology landscapes through data-driven market insights, extensive consumer and industry intelligence, custom marketing services, and executive networking experiences and conferences.

The company's expertise includes home automation, control systems and security, digital media and platforms, entertainment and gaming, home networks, internet and video services, connected health and independent living solutions, mobile applications and services, support services, consumer electronics, and energy management solutions. **www.parksassociates.com**

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Eric Sorensen is an accomplished sports and news media executive with extensive knowledge in developing live streaming and digital media strategies. Eric's diverse background includes; business management, product development, digital ad sales, video game development, social content strategies, sponsorship development, and TV production. Eric spent over 15 years at ESPN helping pioneer the launch of WatchESPN, The Longhorn Network, and SEC digital network. Prior to joining Parks Associates, Eric served as Director of Advertising and Digital and Social Content for the Houston Astros.

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With more than 20 years of technology industry experience and over 15 as an analyst, Paul Erickson's coverage has spanned connected consumer electronics, pay & broadcast TV, digital & physical media, streaming devices and services, home and pro AV, smart home, user interface technologies, and digital rights management. Prior to joining Parks Associates, Paul was an analyst for Omdia, IHS Markit, and NPD DisplaySearch. He has regularly attended, spoken, and/or moderated at industry events and tradeshows across the consumer, service provider, and pro AV technology landscape, such as CES, IFA, IBC, MWC, NAB, InfoComm, NAMM, and Integrated Systems Europe. Paul is also a several-time AVIXA Emerging Trends Fellow honoree.

Paul holds a BS in International Business from Georgetown University, an MBA in Marketing from the University of Texas at Austin, and can converse in English, Spanish, German, Mandarin Chinese, and Taiwanese.

OTT VIDEO MARKET TRACKER

2021 Top 10 US Subscription OTT Video Services

1	Netflix	6	ESPN+
2	Prime Video	7	Paramount+
3	Disney+	8	Apple TV+
4	Hulu	9	Starz
5	HBO Max	10	Showtime

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