World Screen

OTT Platforms 2022-23

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Introduction

Much has changed since our last edition of the OTT Platforms report, particularly as the Hollywood studios made direct-to-consumer a key focus. And the number of operators—general entertainment and niche, local and global, SVOD and AVOD—has ballooned. Indeed, this report just barely scratches the surface of all the options out there for you to place your content on. In compiling this report, we opted for a mix of the global big guns and niche single-market services and everything in between.

In its *2022 Media & Entertainment Industry Outlook* report, Deloitte listed the maturation of the streaming video industry as one of five key trends to watch this year. "Competition among SVOD providers for the time, attention and bank accounts of viewers will continue, fueled by customers juggling multiple subscriptions, showing more cost sensitivity and savviness, and displaying generational differences in entertainment preferences," Deloitte said in its report. "With top SVOD players spending billions on content development and global expansion, the business models that got them this far may not provide the future profitability needed for the industry to grow."

In the U.S., SVOD churn stands at about 35 percent, Deloitte noted. "Providers are under pressure to keep producing hit content, get it in front of the right audiences, figure out how to keep subscription prices low enough for a given market and determine how much advertising is needed to subsidize operating expenses and subscription costs. They should also manage emerging competition across global markets and the required delivery infrastructure and

business partnerships. But the real challenge is in finding profitability among all these costs in a business that offers nothing near the margins of cable TV."

The existing model of focusing on subscription numbers as a metric of success may need to be reconsidered, Deloitte said. "Subscribers are necessary, but providers should increasingly focus on how much revenue they generate. More streaming providers may offer pricing tiers, like a premium, all-access tier that includes first-run movies and requires an annual subscription; an ad-free secondary tier that requires additional payment for new movies and top content; a tertiary tier that includes advertising in return for a lower subscription; and finally, free services with limited content and more advertising. Alternatively, some providers could experiment with pay-per-view-style pricing for top content, no subscription required."

Platforms may also need to evolve their offerings, especially to target younger audiences with social media and gaming options. "Top providers might look more like digital platform companies, with premium SVOD and AVOD capabilities, user-generated content, gaming properties and social integration. This evolving business model will likely test the willingness of shareholders to underwrite expansion, so pressures on profitability may become even more significant."

By 2026, the global media and entertainment (E&M) business will be worth almost $3 trillion, according to PwC's *Global Entertainment & Media Outlook*, with the business steadily growing after 2020's pandemic-induced contraction.

"The vast E&M complex is growing more rapidly than the global economy as a whole," PwC said. "With each passing year, more people around the world are spending more of their time, attention and money on the complex and increasingly immersive E&M experiences that are available to them."

But those angling for a slice of that huge pie have plenty of "fault lines and fractures" to be aware of, PwC analysts cautioned. "The stable overall growth pattern masks an underlying volatility," PwC said in its *Outlook Perspectives Report*. "It is clear that the pandemic accelerated changes in consumer behavior and digital adoption in ways that will affect future growth trajectories. Some of the sectors that saw immense gains amid the pandemic will not be able to sustain that growth, while others will continue to build from their higher bases. Some formerly niche sectors, such as gaming, will barrel their way into prominence, as other formerly dominant sectors will see their competitive positions erode."

The ad market, projected to reach $1 trillion in 2026, will take a 35.1 percent share of global E&M revenues that year, inching above consumer spending (33.5 percent). "Why is advertising growing so rapidly? At root, the answer is simple: more consumers are spending more of their time in environments where they can be reached by digital ads and where they can conduct transactions in real time," PwC said.

Addressing the streaming market, which was completely transformed by the pandemic, PwC said, "Given the seemingly unlimited options arising around the world and the competition for the same limited pool of consumer dollars, something has to give."

OTT video revenue growth is expected to slow to a CAGR of 7.6 percent through 2026, rising to $114.1 billion. "For the first time, players are confronting the prospect that there may not be enough individual subscriptions to feed their growth ambitions," PwC observed. "The market tensions and declining share prices of many of the largest players, coupled with the potential for reduced investments on the part of private equity and venture capital, are likely to change the landscape. The assumption that throwing large sums of money at content creation to feed direct-to-consumer offerings will be enough to produce both massive growth and profit at scale is now in doubt. As a result, questions are arising as to what the next phase of growth will be."

PwC concluded that this remains a golden age for consumers, who now have access to a "vast array of content, services and experiences at price points they can afford."

For those serving those consumers, however, "intense competition and continual disruption remain the order of the day. That means strategy can't remain static. The data clearly shows that the mix of revenues and spending is changing rapidly. And as the fault lines continue to proliferate and widen, it will be easy to end up on the wrong side of disruption. An understanding of the forces that are creating the fractures in our world should inform the creation of strategy. It has become clear that there is no easy solution to maintain a durable model for profitable growth in the coming years. The industry's barriers to entry are too low, and the pace of innovation and change too high, for any one player to sustain competitive differentiation simply by operating as it has for the past five years. In

sectors with sharply diverging growth paths in different countries, operating on a global basis now requires matching pricing models to purchasing power and saturation levels, often on a market-by-market basis. And, looking ahead, all participants who seek to thrive in 2026 will need an 'and' strategy that goes beyond their core: great content and multiple revenue streams and ties to broader commerce plays and compelling immersive experiences. The challenges are substantial—but so, too, are the rewards for those able to meet consumers where they will be."

Showmax

PROFILE: Owned by Multichoice Group, Showmax has served sub-Saharan audiences since 2015. Showmax and Showmax Pro are available in 50 countries in sub-Saharan Africa, while a Showmax diaspora service is also available in over 30 international markets worldwide. It reported a 68-percent gain in paying subs from June 2021 to 2022.

REVENUE MODEL: SVOD

CONTENT STRATEGY: Local content is driving Showmax's current strategy as it looks to differentiate itself from the global streamers operating in the region. "It's really about being very different from anything else out there in our market," says Yolisa Phahle, CEO of general entertainment and connected video at MultiChoice Group.

Co-productions are a helpful model for Showmax when it comes to big-budget originals like the recent *Blood Psalms*, and the streamer taps into the resources provided by parent group MultiChoice.

Regarding licensed content, Showmax streams content from HBO and HBO Max and

offers up other third-party fare across various genres, including kids. Showmax is the only place to stream Sesame Workshop content in Africa, including *Sesame Street* and its South African spinoff, *Takalani Sesame*.

"We are quite comfortable with the international content pipeline," Phahle says. "We remain the only place where people can watch the critically acclaimed programming produced by HBO. You can't watch it on any platform other than Showmax or DStv. It is becoming a crowded marketplace. There are more choices for consumers. While we know this is an attractive market and are building our strategy around the fact that many more people may still choose to enter this market, it's not a picnic. Disney has gone direct to consumer. We remain very confident that we will continue to have a great supply of international content."

CONTACTS:

Purchase the full report for key intel on Showmax and other platforms.