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Hulu dominates CTV ad spend for now, but its supremacy may not last for long

Article

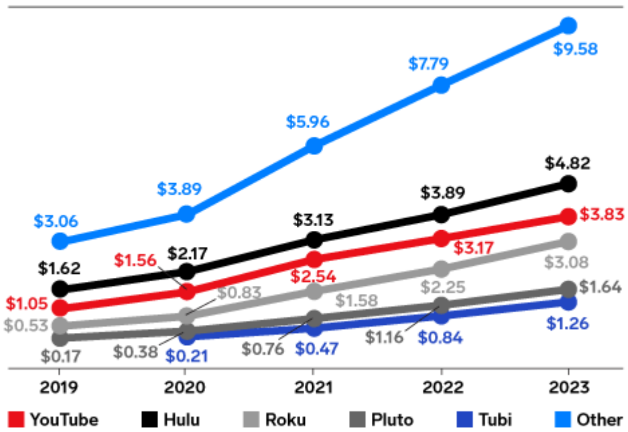
The news: **Hulu** reported **$2.1 billion in ad revenue** for the year that ended in September 2021, per a new report by Kantar.

- Its closest competitor was **ViacomCBS' Paramount+ with $822 million**, followed by **NBCUniversal's Peacock with $279 million,** and **Tubi** (owned by **Fox Corp.**) with **$250 million**.

How we got here: Over the past several years, Hulu has consistently drawn the highest share of connected TV (CTV) ad revenue, aided by its early entrance to the streaming marketplace, as well as the advantages afforded by parent companies **Comcast** and **Disney**.

- We estimate Hulu's ad revenue will reach **$3.13 billion** this year, a **44% increase** from 2020.
- Its success, coupled with the rise of cord-cutting, has spurred other legacy media companies —the aforementioned ViacomCBS and NBCUniversal, to name but a few—to launch their own streaming services.
- Yet Hulu's main appeal lies in the fact that it most closely resembles cable TV, with viewers able to access most of the same content available on broadcast television. This similarity makes it appealing for brands who want to capitalize on the demand for CTV content, but lack familiarity with the rest of the streaming landscape.

US Connected TV (CTV) Net Ad Revenues, by Company, 2019-2023
billions



Note: digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites
Source: eMarketer, Oct 2021

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Clouds on the horizon: This reliance on content provided by other companies is likely to pose serious problems for Hulu in the next few years.

- Next year, NBCUniversal has the option to withdraw from the content-licensing agreement it currently has with Disney and is reportedly considering making some of its content exclusive to its own streaming service, per The Wall Street Journal.
- Other media companies are likely to follow suit, as they attempt to shore up their own streaming services and boost appeal to advertisers.

The bottom line: As evidenced by the increasingly tense negotiations between streaming platforms and media companies, access to content, original or otherwise, has become a primary weapon in the streaming wars.

- Companies like Disney can use access to its ABC and ESPN channels, for example, as a bargaining tool to compel better rates or other concessions from partners, like **YouTube**, or even choose to cut off access entirely to privilege their own platforms.
- Despite the fact that Hulu is owned by Disney, a company with one of the largest stables of intellectual property, Hulu's slate of original content has largely been lackluster, even with early hits like "The Handmaid's Tale." Should its content partnerships with other companies dissolve, the streamer will have a hard time convincing advertisers to stay.