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As consumers look to consolidate their streaming subscriptions, streamers look to diversify revenues

Article

The news: Consumers are showing a willingness to pull back from streaming services given rising costs; Antenna data cited by The Wall Street Journal shows a jump to 6.3% in cancellations in November from 5.1% the year before.

- A significant number of subscribers are trimming their streaming services. About a quarter have canceled at least three major services in the last two years, a noticeable increase from 15% two years ago, per Antenna. This suggests subscribers are rationalizing their decisions in managing streaming expenses.
- 21% of streaming subscribers intend to reduce the number of services they subscribe to in 2024, per a DISQO survey of over 3,000 adults. (The same study found that 30% of cable TV subscribers plan to cancel their service this year.)

Why they're churning: Streamers are adjusting their prices, reflecting the rising costs of content delivery. Notable hikes have been seen across all the major streaming platforms, including **Netflix**, **Disney+**, and **Prime Video**.

- These price increases are a response to a saturated market. It's getting tougher to reel in new subscribers, so companies are recalibrating their pricing to fund content creation, offset rising expenses, and stay profitable.
- Netflix is one of many players adapting its tactics, clamping down on password sharing and nudging users toward its cheaper, ad-supported tier, in an effort to boost its subscriber base and revenues—especially since ad-supported streaming yields higher ARPUs for the streaming giant.

Streamers' response: Services are getting creative to retain customers, with many now offering ad-supported tiers at lower costs. **Disney+** saw nearly 60% of its new subscribers in November opt for this more affordable option.

- Amazon's addition of ads to Prime Video could add **up to $5 billion in annual revenues**, with around $3 billion from video ads and $1.8 billion from Prime subscribers paying extra to avoid ads, per Bank of America analysis. This strategy follows Amazon's advertising business generating $12.1 billion in the last quarter—representing 8.5% of its total revenues—and capitalizes on Prime Video's content investments, including movies and NFL games.
- Bundling is becoming a popular tactic. Companies like **Verizon** are bundling services like Netflix and Max at appealing prices, aiming to offer more value and encourage longer

subscription commitments.

- **T-Mobile** is shaking things up by including **Hulu** in its **Go5G Next** plan, as reported by Deadline. The addition buttresses its existing offerings of Netflix and **Apple TV+**, showcasing a trend toward more integrated streaming options.
- Other established players are also exploring bundling to spice up their offerings and keep subscribers hooked.

Our take: These trends reflect a maturing streaming market where inflation-weary customers have become more discerning about where and how they spend.

- For tech and entertainment watchers, this is a crucial time. We're seeing a strategic shift as streaming services explore new ways to maintain their customer base and expand revenue streams.
- Looking ahead, we can expect more innovation and possibly consolidation as companies strive to stay relevant and appealing in an increasingly crowded market. Understanding these shifts is key for businesses and consumers alike in navigating the evolving landscape of streaming services.