

Users Still Demand Licensed Content from OTT Platforms

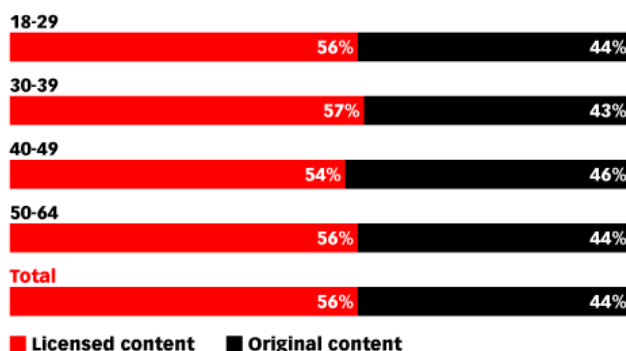
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While digital video platforms like Netflix are investing heavily in producing their own original shows, many people prefer to watch licensed content when they stream video.

In March 2019, [PwC](#) surveyed 1,000 adults in the US who were video-on-demand (VOD) viewers. It found that over half of the content that respondents streamed was licensed, while 44% of it was original to the platform it's viewed on.

Share of Licensed vs. Original Content Watched by US Video-on-Demand (VOD) Viewers, by Age, March 2019
% of total



Note: includes TV shows and movies

Source: PwC, "Streaming ahead: Making UX + content strategy work together," April 23, 2019

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Much of the licensed content that viewers are used to finding on over-the-top (OTT) platforms like Netflix or Hulu is about to become exclusive to other companies. And that fragmentation will continue as Apple, Disney, Comcast's NBCU and AT&T's WarnerMedia launch their own streaming services.

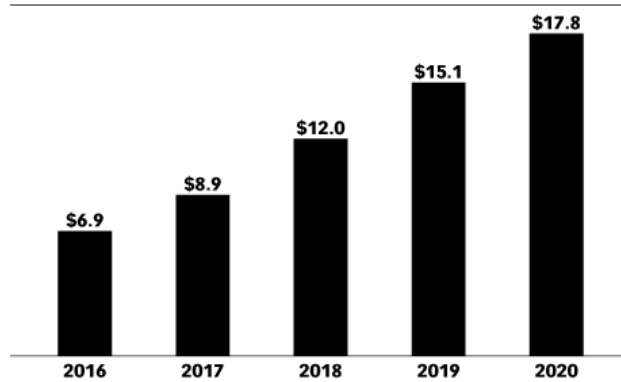
Disney announced that it will be **pulling its content** from Netflix, and analysts **speculate that WarnerMedia will pull some of its popular titles** like "Friends." In late April, **The Wall Street Journal reported** that NBCU is having internal discussions about removing "The Office" from Netflix so that it can feature the show exclusively on its own platform. Netflix responded **with a tweet** reminding people that it has rights to the show "until 2021 —at least."

Meanwhile, Netflix continues to invest in producing original shows. In April, the company announced it was **offering \$2 billion in debt** to fund content spending and other expenses. This was Netflix's second debt financing round in six months. In **October 2018**, it offered \$2 billion in debt to fund content spending.

According to Netflix, it **spent \$12.04 billion on content** in 2018. That figure will rise to around \$15 billion this year and to more than \$17 billion in 2020, per estimates from investment bank **BMO Capital Markets**. (These expenditures are calculated on a cash basis—before Netflix writes off the cost of original productions. The costs after the write-off are significantly lower. For example, in 2018, the post-write-off figure that Netflix reported was \$8 billion.)

Netflix Content Spending Worldwide, 2016-2020

billions



Note: in cash; streaming content only; 2016-2018=Netflix figures; 2019-2020=BMO Capital Markets estimates
Source: Netflix and BMO Capital Markets Corp. (Harris Nesbitt) as cited by Variety; eMarketer calculations, Jan 18, 2019

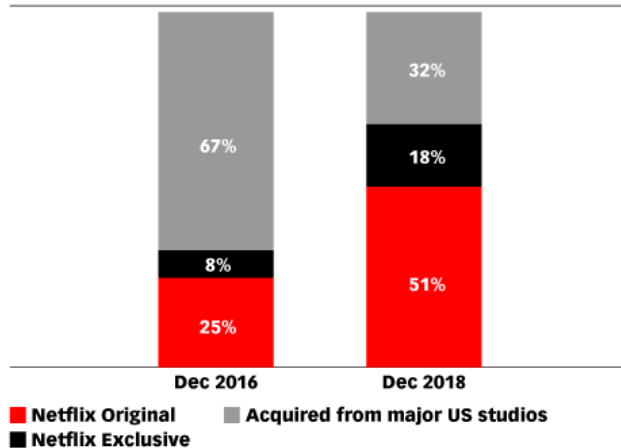
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Original content investment from Netflix has spawned a glut of shows, including titles like “Glow” and “Russian Doll.” The **share of original content that Netflix added to its platform** doubled between 2016 and 2018, per a report from TV analytics firm **Ampere Analysis**. Last year, originals accounted for about half of the content added to Netflix.

US Netflix Content* Share, by Type, Dec 2016 & Dec 2018

% of total



Note: numbers may not add up to 100% due to rounding; *among content under a year old
Source: Ampere Analysis as cited by Broadband TV News, March 21, 2019

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We forecast that 157.3 million US adults will use Netflix at least once per month in 2019, up 6.6% year over year.