

Amazon's MGM acquisition could give it a watch-time boost

Article

Amazon is reportedly looking to acquire legacy film and TV studio **MGM** to the tune of \$7 billion to \$10 billion, *The Information* **reports**. Media and entertainment consolidation seems to be the hottest trend this spring, as the news comes directly on the heels of **WarnerMedia** and **Discovery** announcing their merger earlier this week.

As the streaming space gets more crowded, Amazon is looking to bolster its Prime Video content offerings, and MGM's library is attractive both in terms of quantity (boasting over 4,000 movies and 17,000 hours of TV programming) and quality (with popular and critically acclaimed franchises like "James Bond" and "Rocky"). Acquiring such a popular studio is also a financial win for Amazon. "The benefit is ownership versus licensing. It's a one-time purchase, so they don't have to keep paying out these licensing fees to studios," said Audrey Schomer, eMarketer senior analyst at Insider Intelligence.

In addition to reducing recurring costs, the purchase would also position Amazon as a content licensor for a major independent studio. That would give it newfound leverage over rival streaming services—free ad-supported TV streaming services in particular tend to license out older movies and shows for their platforms, Schomer said, and MGM is a heavyweight for that.

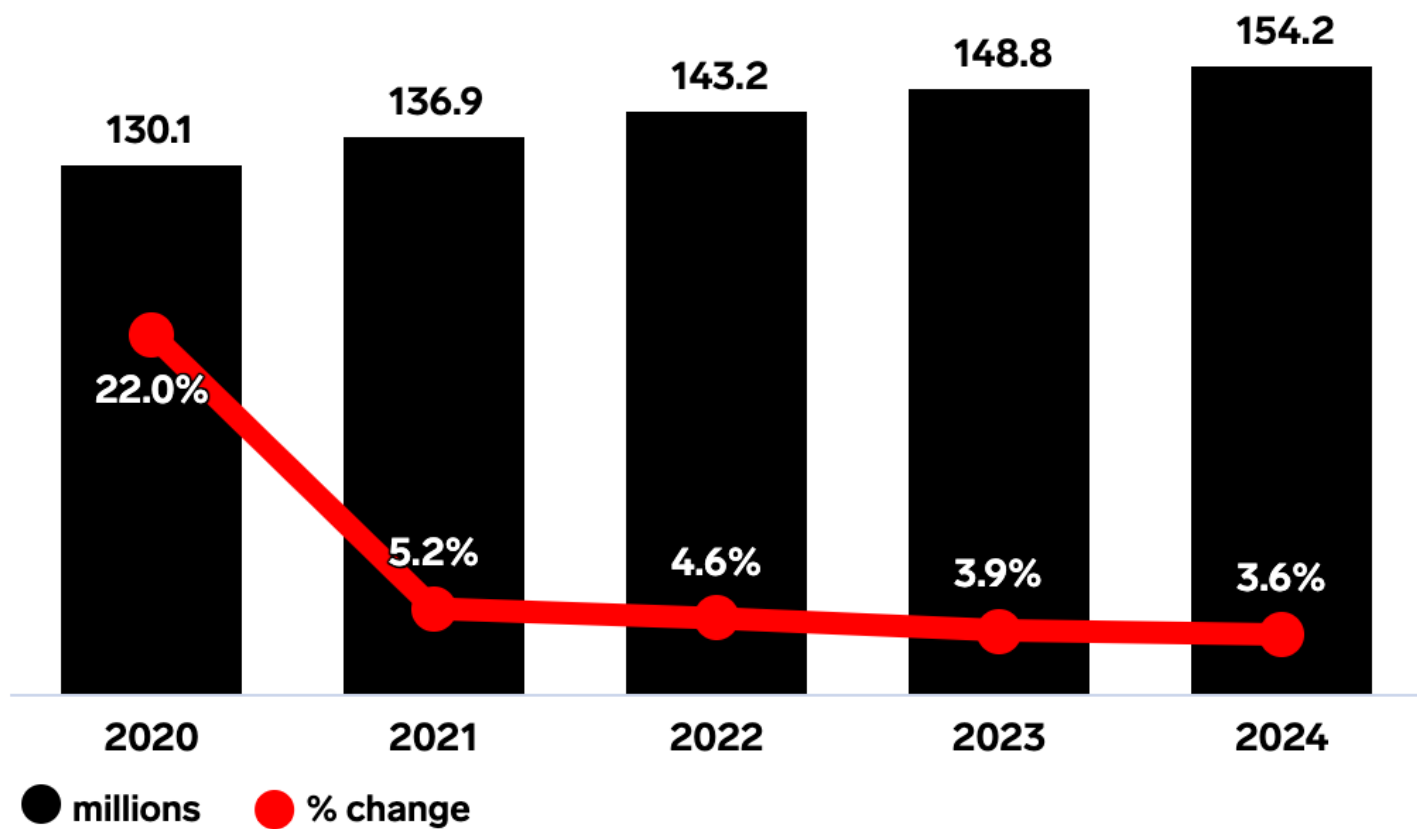
- **In the short run**, it means that Amazon gets to reap the licensing fees from all of those deals. **Tubi, Pluto TV, and Crackle** all currently license MGM content, for example.
- **In the long run**, as those deals begin to expire, the company could also opt to make MGM content exclusive to Prime Video or IMDb TV. That's not unlikely, considering it's a move many other streamers have made—**Disney** pulled its content library from other streamers shortly after it launched Disney+, and **NBCUniversal** did the same with "The Office" to make it exclusive for its Peacock debut.

But Amazon doesn't need the same draw of exclusive content to get people to sign up for Prime Video, since it comes bundled with Prime membership—instead, it needs to keep users watching longer.

- More than 175 million of Amazon's 200 million Prime users worldwide also used Prime Video in Q1 2021, **according** to CEO Jeff Bezos. That's in line with our estimates—this year, we predict that there will be 136.9 million Amazon Prime Video viewers in the US alone, making it the **third-largest** over-the-top (OTT) video service behind **YouTube** and **Netflix**.
- But of the top five OTT platforms that we measure, we estimate Amazon Prime Video users spend the least amount of time watching Prime Video. Last year, US users **spent** just 19.8 minutes per day on the platform, compared with Netflix's 59.3 minutes or Hulu's 51.6 minutes.
- Given this, the acquisition of MGM's large, high-quality library could instead be aimed at keeping Amazon users on its platform longer, rather than attracting them in the first place.

Amazon Prime Video Viewers

US, 2020-2024



Source: eMarketer, August 2020

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