

Pay TV faces 'existential' crisis in new Disney-DirecTV dispute

Article

The news: Disney has suspended access to its channels for all DirecTV subscribers as the two companies clash over carriage fees.

The channel blackout comes during the **US Open** tennis tournament, days ahead of the September 5 **NFL** season kickoff, and right at the start of the college football season, putting

pressure on DirecTV to strike a deal to restore access to these high-profile events that dominate linear TV viewership.

Zoom out: For Disney, this is a familiar playbook. Last year, it [blocked access to ESPN](#) and other channels on **Charter Spectrum** to secure a more favorable carriage fee deal. That, too, came as the most-viewed sports seasons were preparing to kick off.

- Charter Spectrum [lost 100,000 subscribers](#) during the quarter of the blackout. Disney, on the other hand, won favorable terms including access to **Disney+** and **ESPN+** for Charter Spectrum subscribers, which could further chip away at the pay TV provider's audience.
- Disney's win set a tone for negotiations between streaming companies and the pay TV industry. Disney, with its large portfolio of popular networks and rights to leading sports leagues, holds significant power over linear pay TV services that are continuing to shed subscribers.
- There will be 71.9 million US pay TV households this year, per our forecast, falling to 69.3 million in 2025 and 62.6 million by 2028. That decline is why DirecTV has called this conflict an "existential" one—it will solidify the lines of power in the rapidly changing industry.

Why it matters: Streaming services have eaten significantly into linear pay TV's market in recent years, and newer threats are emerging.

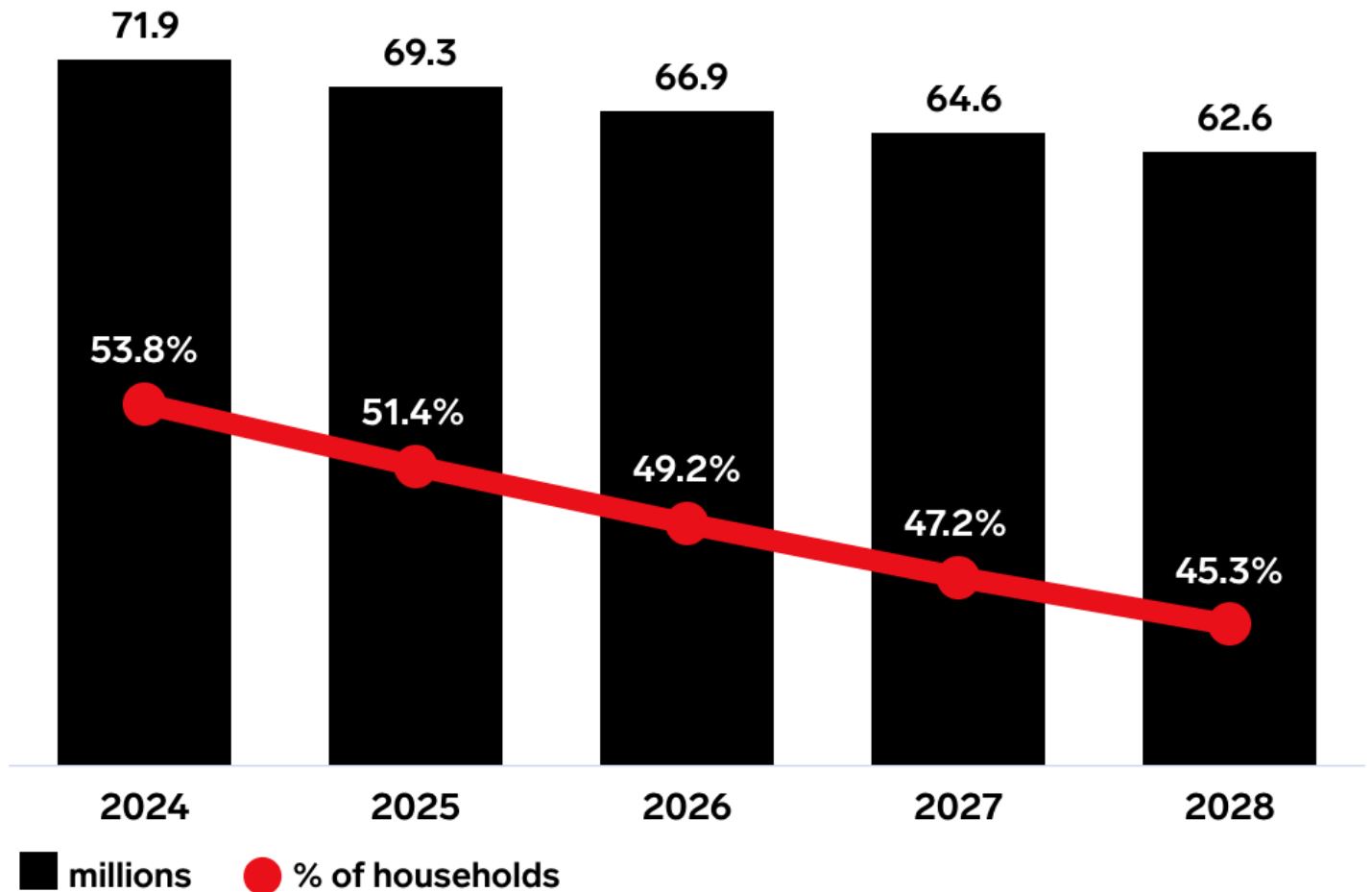
- The rise of ad-supported streaming subscriptions is further eroding pay TV's share. [Pay TV services lost 5 million subscribers in 2023](#) as ad-supported subscriptions proliferated, per Leichtman data.
- Pay TV's remaining edge is that it provides easy access to sports content, which makes up the overwhelming majority of the most-viewed broadcasts in US television each year. But those rights are held by networks like ESPN, who can withhold access and bring those relationships to their streaming ventures.
- **Venu Sports**, the proposed joint streaming venture from Disney, **Fox**, and **Warner Bros. Discovery**, would have done exactly that at a much more competitive price point—were it not [temporarily blocked by a lawsuit](#) from pay TV provider **Fubo**.

Our take: Disney is likely to find another favorable outcome in its clash with DirecTV, further diminishing pay TV's standing in the complex video marketplace. Venu Sports has been

shelved for now, but it's potential launch could pose a significant threat to linear TV's remaining crown jewel: live sports.

Total Pay TV Households

US, 2024-2028



Note: households with a subscription to a traditional or digital (vMVPD) pay TV service

Source: EMARKETER Forecast, February 2024