

# Promotions Will Delay Subscription Fatigue

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Disregard talk that the newest streaming service will be a “Netflix killer.” There is room for multiple streamers to succeed as consumers funnel more money to digital video subscriptions. Still, at some point, with so many streaming services entering the fray, Netflix and its competitors will have to deal with subscription fatigue. Eventually,

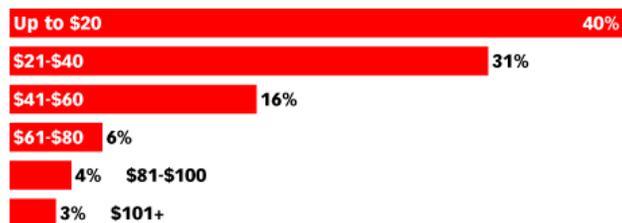
Trade group [Consumer Technology Association](#) estimates that US consumers will spend \$21.94 billion on over-the-top (OTT) services in 2020, up from \$17.66 billion in 2019. Another bright spot for those entering the video streaming landscape is that consumers are subscribing to even more subscription video-on-demand (SVOD) services. Consulting company [Activate Inc.](#) found that the share of US SVOD users who subscribe to at least three SVOD services increased from 21% in 2017 to 45% in 2019.

However, people are only going to spend so much on their video entertainment. Cord-cutting’s original value proposition was that it was much cheaper than cable TV. If the video subscriptions start to add up to a hefty fee, people will shed non-essential streamers.

August 2019 polling by [PC Magazine](#) found that 40% US internet users who subscribe to a video streaming service were just willing to pay up to \$20 per month for streaming video services. Only 29% were open to paying more than \$40 per month.

### How Much Money Are US Internet Users Willing to Spend per Month on Streaming Video Services?

% of respondents, Aug 2019



Note: ages 18+ who currently subscribe to at least one streaming video service

Source: PC Magazine, "How Much Would You Spend on Streaming Services per Month?" Sep 16, 2019

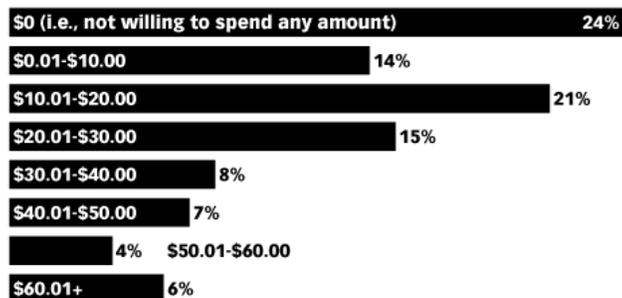
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YouGov and The Trade Desk had similar findings in a January 2020 poll: Just 41% of US internet users were willing to pay more than \$20 per month for their streaming services.

### What Is the Maximum Amount US Adults Are Willing to Spend on TV/Video Streaming Services?

% of respondents, Nov 2019



Note: n=2,613 ages 18+ with internet access; per month; numbers may not add up to 100% due to rounding

Source: The Trade Desk survey conducted by YouGov, Jan 6, 2020

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These studies give some indication that most consumers have a price ceiling that isn't high enough to include all the new streaming services coming out. SVOD services are also prone to churn because, unlike cable TV, they're so easy to cancel. People's finite entertainment budgets combined with easy cancellation will lead to a culling of subscriptions.

But that can be getting kicked down the road due to new SVOD services offering promotional discounts and bundling their products with

services that consumers already use. Some examples:

- Comcast subscribers will get NBCU's Peacock for free.
- People who buy a new Apple device will get Apple TV+ for free for a year.
- Verizon phone users with unlimited data plans and new Fios internet subscribers will get Disney+ for free for a year.
- HBO Max will be free to those who subscribe to HBO through a pay TV provider as well as to AT&T customers with wireless unlimited data plans.

This model of tying streamers to other consumer products isn't new. Amazon Prime Video grew by latching onto Amazon's broader retail service. Netflix is discounted for T-Mobile subscribers. Hulu has been discounted for Spotify users. New streaming services are just making this tactic more universal.

Streaming providers are operating at a loss when they give their service away for next to nothing. They do so because they realize this is a critical time to gain audiences. In 2020, many consumers will receive services like Peacock, Apple TV+, Disney+ and HBO Max for merely paying for other ancillary products. Others already get Prime Video, Netflix and Hulu discounted for similar reasons. These bundles will momentarily reduce churn. Sure, most people say they won't pay \$40 or more for their video subscriptions. But they won't *feel* like they're paying for some of their video subscriptions when they come attached, temporarily at no additional cost, to their phone and internet service.

Forgoing subscription fees, particularly among services that feature no advertising, isn't a sustainable way to operate in the long run. The free add-ons and promotional prices will eventually end as the pressure to show profitability mounts. When that happens, subscription fatigue will get real. But that's at least a year away. Right now it's a land grab.