eMarketer

# Six Digital Video Trends for 2018

## What we see on the horizon in the new year

**ARTICLE | DECEMBER 18, 2017**

**Paul Verna**

What will social video look like? Is "peak TV" past its peak? How much will connected TV ad spend grow? A look ahead at some of the key developments we expect to unfold in 2018.

### No. 1: Connected TV Advertising Will Start to Scale

In 2018, eMarketer estimates, 181.5 million people in the US will use connected TVs at least once per month—a number that amounts to just over 55% of the general population. By 2021, the ranks of connected TV users will swell to 194.4 million, or nearly 58% of the population. Despite this groundswell of consumer adoption, connected TV advertising hasn't caught the world by storm—yet.

There have been issues of scale, as well as other business and logistical hurdles, none of which will be entirely overcome in the next year. But we'll see steps in that direction, driven by the fact that connected TV sits at the intersection of traditional television and digital video—two of the most robust and enduring advertising channels.

### No. 2: Social Media Platforms Will Deliver TV-Style Programming

The leading social media channels—Facebook, Instagram, Twitter and Snapchat—have been focused on video for years. However, to date they've specialized mainly in short clips designed for sharing, or in experimental live streams of sports and other content.

TV-style shows have been missing from the social video mix, but that will change in 2018 as platforms chase mid-roll ad dollars through programming with a longer narrative arc than your average cat video. We don't expect Facebook, Twitter or Snapchat to become the next Netflix, but we'll see them compete more and more with YouTube, which has also tried to carve a niche in the mid-length content space.

### No. 3: "Peak TV" Will Give Way to "Content Bubble"

The number of scripted series aired on US broadcast, cable and streaming video outlets more than doubled from 2009 through 2016, with all of the recent growth coming from the digital side, according to an FX Networks study.

**Number of US Original Scripted TV Series, by Service Provider, 2009-2016**

| | Basic cable* | Broadcast** | Digital video services*** | Pay cable | Total |
|---|---|---|---|---|---|
| 2009 | 66 | 122 | 1 | 21 | 210 |
| 2010 | 74 | 113 | 4 | 25 | 216 |
| 2011 | 111 | 116 | 6 | 33 | 266 |
| 2012 | 125 | 119 | 15 | 29 | 288 |
| 2013 | 161 | 131 | 24 | 33 | 349 |
| 2014 | 175 | 148 | 32 | 34 | 389 |
| 2015 | 188 | 150 | 46 | 37 | 421 |
| 2016 | 181 | 145 | 93 | 36 | 455 |

*Note: as of Dec 14, 2016; excludes children's programs, daytime dramas, library, non-English-language programs, short-form content (<15 mins) and 1-episode specials; includes recently-produced imports; *includes DirecTV; **includes PBS; ***includes Amazon Prime, Crackle, Hulu, LouisCK.net, Netflix, PlayStation, Seeso, Vimeo, Yahoo and YouTube Red*
*Source: FX Networks as cited by Adweek, Dec 21, 2016*

221799 www.eMarketer.com

We expect the general trend toward digital to continue, especially considering the ballooning content budgets of the leading streaming providers, but the year-to-year inflation of full-length shows can't continue unabated. Just as there are limits to how much people are willing to spend on subscription services, there are only so many hours in the day to binge-watch our favorite shows. Even if 2018 doesn't turn out to be a year when the number of shows falls off a cliff, a flattening of the growth curve is a reasonable expectation.

## No. 4: Linear OTT Services Will Gain Traction

The past year saw the launch of two major over-the-top (OTT) TV services: YouTube TV and Hulu with Live TV. They joined established competitors including Sling TV, DirecTV Now and PlayStation Vue as the leading providers of digitally delivered TV bundles that are marketed as lower-cost alternatives to traditional pay TV.

Despite limitations in their channel selection, the devices they support and, in some cases, the geographies they serve, these linear OTT services will ramp up significantly in 2018. They will compete aggressively with each other for subscribers, leading to growth in the overall category and an acceleration of the cord-cutting trend, particularly among millennials and other young viewers. It will take longer than a year for OTT services to rival their cable and satellite counterparts in terms of total subscribers, but 2018 will mark a clear step along that journey.

## No. 5: SVOD Subscriber Growth Will Slow

Even as digitally delivered live TV services gain traction, the big subscription video-on-demand (SVOD) platforms will start to see their growth decelerate in 2018. This will be particularly true of market leader Netflix, which has enjoyed a lengthy streak of quarterly increases in streaming subscribers and revenues. There’s no reason to think Netflix will stop growing in 2018, but its growth rate will likely start to slow down as a result of a nearly saturated US market and increased competition for subscription dollars.

Not only is Netflix battling with digital video services from Amazon, Hulu, HBO, Showtime and others, but all of those companies also face threats from niche-oriented SVODs and will soon have to worry about new subscription services from the likes of ABC and its ESPN unit.

## No. 6: The Pivot to Video Will Claim More Victims

Many digital media companies, including Vice, BuzzFeed, Mashable and Mic, found themselves retrenching from their “pivot to video” strategies in 2017, and more are likely to follow in 2018.

The reasons vary from case to case, but there are common threads among these companies and others that may find themselves in similar positions. The costs of producing video are significantly higher than text, so even though the payoff is larger for video in the form of higher CPMs, many publishers have found that the returns simply don’t justify the infrastructure investment. In addition, the outsize presence of YouTube, Facebook and other social platforms in the digital advertising ecosystem, especially in the news media, cannot be underestimated. Those companies command the lion’s share of consumer attention, and hence ad dollars.

Publishers have had a difficult time striking a balance between cultivating audiences on those platforms and retaining some semblance of control over their user experience, not to mention their ad revenues. And finally, for some publishers, video represents too much of a leap from their core strengths as text-based vehicles. That’s not to say video doesn’t have a place in the mix, but a full-scale pivot isn’t always the best way for a publisher to monetize its digital assets.