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Paramount faces restructuring amid increased competition for streaming ad dollars

Article

The news: Media giant **Paramount Global** is undergoing a "restructuring and streamlining" of its top-heavy management while simultaneously laying off several dozen staffers this week.

- Longtime CBS executives **Kelly Kahl** (president of CBS Entertainment) and **Thom Sherman** (senior EVP of programming) are out. This follows Chairman and CEO of **Showtime David Nevins**'s departure last month and president of Paramount Advertising **Jo Ann Ross** retiring the month prior. For the most part, their responsibilities will move to existing executives, as no outside leaders have been brought in to date.
- Less than 100 employees are expected to be let go, largely from the ad sales staff in New York and Los Angele

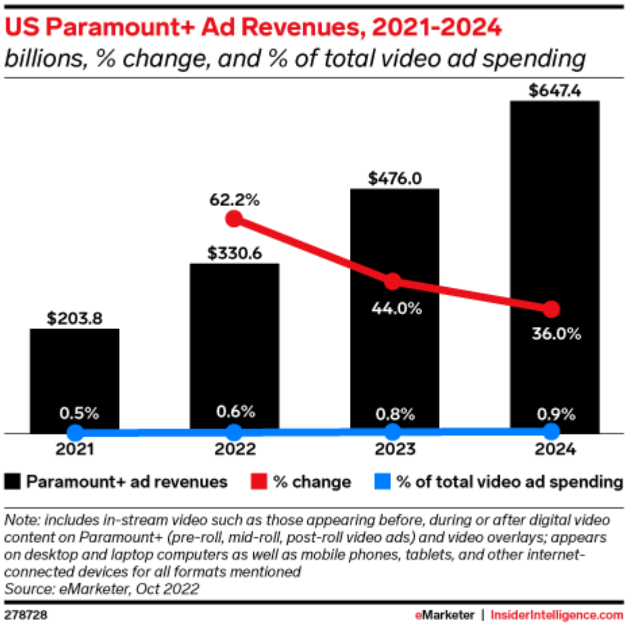
Paramount's mix of broadcast, free ad-supported streaming (FAST), subscriber video on demand (SVOD), and cable puts the company—whose brands include **CBS**, **BET**, **Comedy Central**, **Pluto TV**, **Paramount Pictures**, **Smithsonian Channel**, and **Nickelodeon**—"in a very powerful position" to weather the market, finance chief **Naveen Chopra** said at RBC's media conference this week.

How we got here: Earlier this month, the company announced a **5% rise in third-quarter revenues, but the figures fell short of projections** due to cord-cutting and a decline in ad revenues.

- The TV media sector, which includes cable networks **MTV**, Nickelodeon, Comedy Central, Showtime, and the broadcast network CBS, saw revenues fall 5% to around $4.9 billion from Q2.
- TV networks' advertising revenues fell 3% to around $1.9 billion, indicating the onset of macroeconomic headwinds.

The Paramount+ imperative: It's clear that the company's flagship streaming service will be critical to its fortune in quarters to come as cable and broadcast TV continue to lose consumers.

- In Q3, Paramount+ **upped its subscriber count 4.6 million**, bringing the total to 46 million.
- Sports, particularly the **NFL** and international soccer, as well as the launch of its collaboration with Walmart+, drove that subscriber growth.
- Even so, Paramount+ is **losing the head-to-head with its closest competitor**, **Peacock**. By 2024, we forecast Peacock will achieve $1.3 billion in advertising revenue in the US. That same year, Paramount+ will only reach $647.4 million, according to our forecast.



We don't talk about Pluto: The company's FAST service, which provides a range of content through digital linear channels created to mimic the feel of traditional broadcast TV, shouldn't be slept on.

- In September, Pluto made its named debut on **Nielsen**'s The Gauge, a monthly scouting report that assesses the status of the US TV landscape. Nielsen only identifies services by name if they make up 1% or more of total TV usage in a given month, which Pluto TV accomplished in September, outpacing competitors like **The Roku Channel**, **Tubi**, and **Xumo** to become the first FAST service to do so.

Our take: Paramount Global has been top-heavy, particularly since the 2019 merger of Viacom and CBS, so an executive shakeup was overdue.

- That said, making moves like integrating Showtime into Paramount+ isn't the kind of innovation that marketers expect.
- With competitors like **NBCU** establishing themselves as leaders in measurement, not to mention Warner Bros. Discovery's unified streaming service on the horizon, and **Netflix** and **Disney+** competing for streaming ad dollars, expect a rocky road ahead for Paramount+ and its parent.