

Streaming Wars in the Age of Rebundling – What Opportunities Exist?

April 2024

Setting the Stage

The Netflix stock correction of 2022 triggered a shift from growth to profitability in the streaming wars

Facing steep losses and slowing growth, streamers increased prices and launched new ad-supported plans, resulting in market-wide "streamflation"

In an effort to manage their media spending, consumers are embracing subscription bundles and, in parallel, streamers are exploring new rebundling strategies

Against this backdrop, FTI Delta has surveyed U.S. consumers to understand their digital subscription behavior, views on must-have offerings, and interest in future bundles to help uncover what opportunities lie ahead

The over-the-top (OTT) video streaming industry has entered a new era of rebundling

The Rise Of Streaming



Subscriber growth to profitability



The Era Of Rebundling

Driven by Netflix's success, traditional media enters the streaming market, crowding the field with competitors

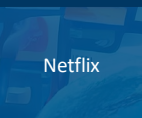
Facing slowing subscriber growth and steep losses, streamers begin launching ad-supported plans; some late joiners enter the race

With churn increasing, subscriber growth slowing, and market pressure to demonstrate financial sustainability, streamers are exploring new rebundling strategies

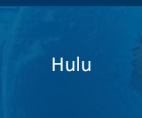
2000's and 2010's



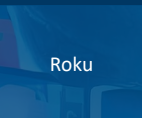
2005
YouTube launches



2007
Netflix moves from DVD to streaming in response to demand from their customers



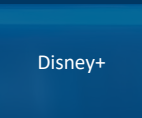
2008
Hulu launches



2008
The first Roku device is available to the public

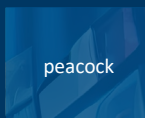


2011
Amazon launches Prime Video



2019
Disney launches Disney+

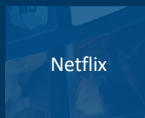
Later 2010's – early 2020's



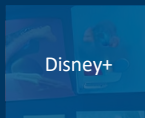
2020
Peacock launches



2021
CBS all access is rebranded as Paramount+



2022
Netflix announces it has lost 200,000 subscribers, its first quarterly subscriber decline in a decade

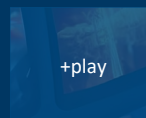


2022
Disney+ announced Basic "with ads" tier and global subscribers peak at ~196 million

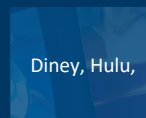


2022
Netflix launches ad-supported plan in a bid to restart growth, all major streaming platforms follow suit

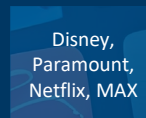
Today



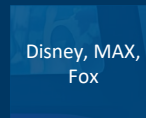
2022
Verizon launches +play, an ambitious attempt at offering a unified subscription management solution



2023
Disney acquires Hulu stake, launches an integrated viewing experience of Disney+ and Hulu programming



2023
Disney, Paramount, Netflix, MAX all announce they are now bundling their services with separate third parties



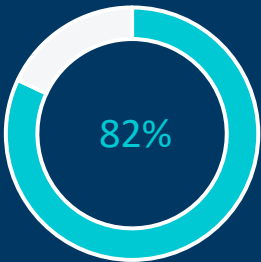
2024
Disney, Fox, and Warner Bros Discovery announced plans to launch a streaming service centered around sports content

Today, U.S. consumers have become used to managing multiple digital subscriptions; streamers continue to raise prices, especially in their “no ads” tiers

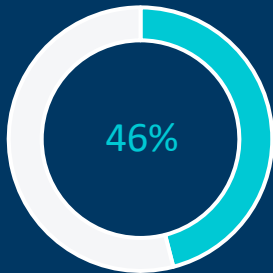
Consumers Are Managing Multiple Subscriptions

Streamers Continue To Raise Prices, With An Emphasis On Their “No Ads” Tiers, Against The Backdrop Of A Slowdown In Subscriber Count

All Respondents To The Survey. N = 1,006



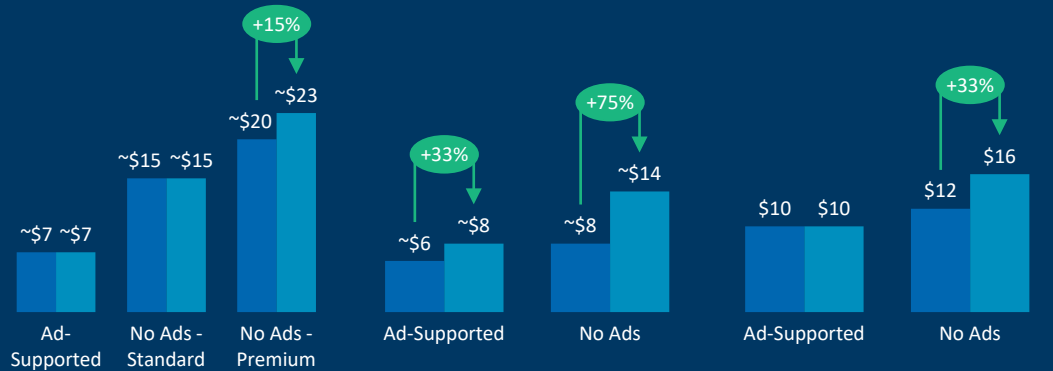
Have more than one subscriptions



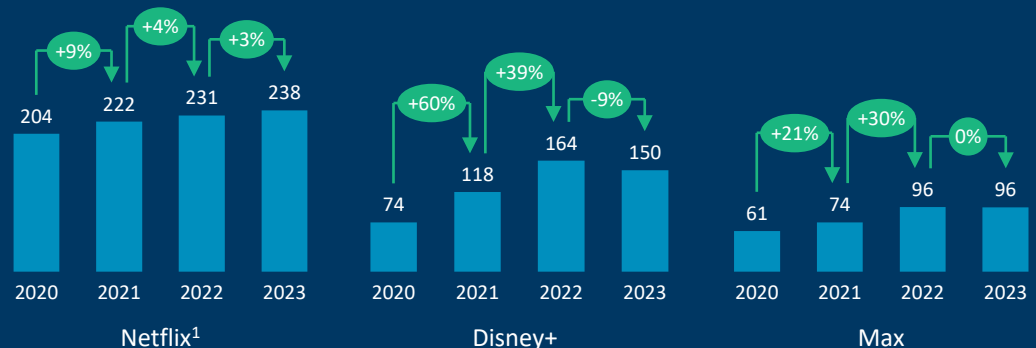
Consider 4 or more video subscriptions as too many

Monthly Subscriptions Price

(Dec '22 vs Dec '23, \$, U.S. plans only)



Global Subscriber Count (2019-2023^[2], millions)



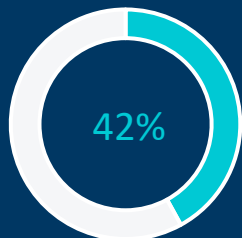
Survey Q9: For each of the following paid subscription video-on-demand (SVOD) streaming services, please select those to which you are currently a subscriber of the service; Q22: How many video subscription services (e.g., Netflix, Max, Disney+) would you consider too many to subscribe to?; Sources: Netflix; Disney; MAX; C+R Research; The Verge; Variety State of Bundling Report August 2023; FTI Delta Analysis; FTI Delta Media Survey March 2024; [1] Netflix Basic plan excluded as it is no

4 | longer available to new subscribers; [2] Q3 2023 or latest available

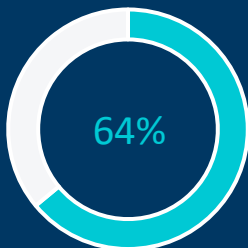
Price sensitivity continues to drive churn; to control cost consumers are embracing digital subscription bundles, with ~64% subscribing to at least one bundle

CONSUMERS ARE CHURNING

% of respondents who canceled and later resubscribed (N = 504)



Churned in the past 12 months

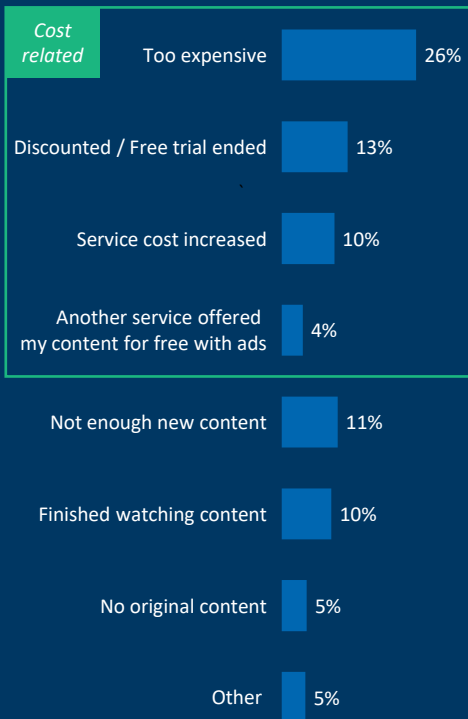


Of users who churn are serial churners (>1 canceled service in the last 12 months)

Churn is an industry-wide issue across video and non-video services, with a significant portion of consumers being serial churners

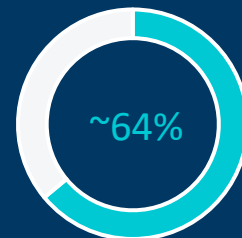
TOP REASONS FOR CHURN

% of respondents who canceled and later resubscribed (N = 504)



Price is the key driver of churn, with content also an important consideration for consumers

CONSUMER ATTITUDES TOWARD BUNDLES



Subscribe to at least one bundle (N = 1,006)



Of bundle subscribers subscribed to more than one bundle (one third of total customers) (N = 642)

Consumers recognize the value of bundles, however there isn't one bundle to cover for all their needs

Survey Q28: In the last 12 months have you canceled a streaming service subscription and then later re-subscribed?; Survey; Q30: You previously stated that you canceled a streaming service subscription, but later re-subscribed. How many times in the past 12 months have you canceled a subscription and then re-subscribed?; Q27: Have you canceled a streaming service subscription in the last 12 months, and if so, why?; Q37: Please select the bundles you currently subscribe to. You must pay for the services together as part of the specified bundle, and NOT individually; Sources: FTI Delta Media Survey March



What Opportunities Exist?

U.S. customers displayed the highest interest in a large streaming-only bundle, followed by a broad-based entertainment package beyond just video

 Top 4

U.S. CONSUMER INTEREST IN VARIOUS HYPOTHETICAL BUNDLES

All respondents to the survey. N = 1,006



Streaming video-only

Offers a curated selection of on-demand entertainment

Netflix, Max

57%



Entertainment

Combines video streaming, music, gaming and more, providing a comprehensive entertainment package

Spotify, Disney+, Game Pass

38%



Food & groceries

Offers users a convenient one-stop solution for food delivery and grocery shopping

Hello Fresh, Instacart, Doordash

32%



Sports-focused

Provides an immersive experience for fans of all levels including live games, exclusive interviews and more

ESPN, NFL

20%



"Day In The Life"

(apps from categories like video, music, podcasts, news, etc.)

19%



Wellness

(e.g. gym membership, wellness app subscription)

18%



Home & digital security

(e.g. smart speakers and home video cameras)

18%



Pet

(e.g. pet food delivery, pet insurance, vet credits)

15%



Productivity

(e.g. Microsoft Office, Google One, Audible)

13%



News

(e.g. Wall Street Journal and Washington Post)

13%



Electric car

(e.g. electric monthly car payment, home solar installation and services, car insurance)

8%

Survey Q45: Which of the following hypothetical bundles would you be interested in subscribing to if the bundle was priced at a 10-20% discount compared to buying the individual services?

To maximize the potential of a large streaming bundle, consumers prefer Netflix and Prime as key anchor services followed by Hulu, Paramount and Max

STREAMING SERVICES PREFERRED TO BE INCLUDED IN THE BUNDLE

Respondents interested in bundle.
N = 931

Ranked in Top 5

1 Netflix

81%

2 Prime Video

65%

3 Hulu

56%

4 Paramount+

43%

5 Max+

38%

6 Disney+

36%

7 Peacock

32%

PREFERRED SERVICES IF BUNDLE EXCLUDES NETFLIX AND PRIME VIDEO

Respondents interested in bundle.
N = 931

Ranked in Top 5

1 Hulu

60%

2 Paramount+

52%

3 Max+

46%

4 Disney+

44%

5 Peacock

42%

6 YouTube TV

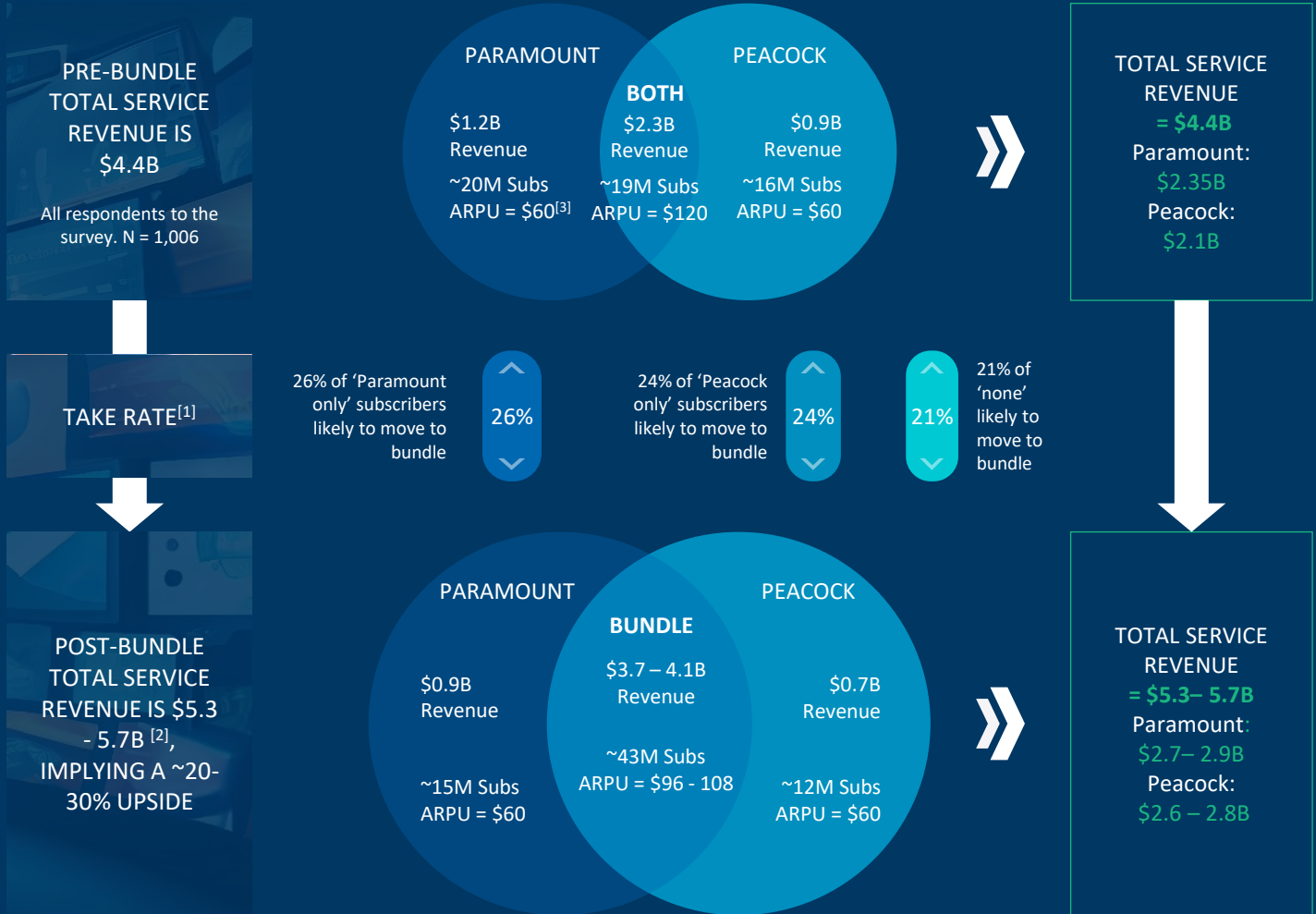
29%

7 Apple Tv+

22%

Survey Q44: Out of the following video subscriptions, please choose 1 to 8 services that you would want to be included in this bundle. Rank your top 8 in order from most preferred, 2nd most, 3rd most, etc.

Beyond a bundle with Netflix and Amazon Prime, other combinations can drive significant value as exemplified by the ~20-30% revenue upside of a hypothetical Peacock and Paramount+ bundle



Source: Q42e: How likely would you be to subscribe to a bundle of Paramount+ and Peacock if the bundle was offered at a 10-20% discount compared to buying the services individually?

Sources: FTI Delta Media Survey March 2024; Company websites; Statista (Q4 2023); [1] Consensus-weighted survey responses are further adjusted using market-research standard 70/30/10 overstatement adjustments to calculate likelihood/"take rate"; [2] Assumed 100% of consumers subscribed to both Paramount and Peacock will move to bundle to capture savings; [3] Assumed ARPU as price of the annual subscription plan, excluding ad revenue (\$59.99 for Peacock Premium plan and \$59.99 for Paramount Plus)

Large-scale bundles need to offer an aggregate 15%-20% discount to maximize revenue upside

3 SERVICE ENTERTAINMENT BUNDLE

Price of standalone services before discount

~\$30

will consist of ~3 services within the following subscription categories:

Video-Streaming
Mobile Gaming
Music Streaming

6 SERVICE ENTERTAINMENT BUNDLE

Price of standalone services before discount

~\$60

will consist of ~6 services within the following subscription categories:

Video-Streaming (3-4 subscriptions)
Mobile Gaming
Music Streaming
Book & Audio

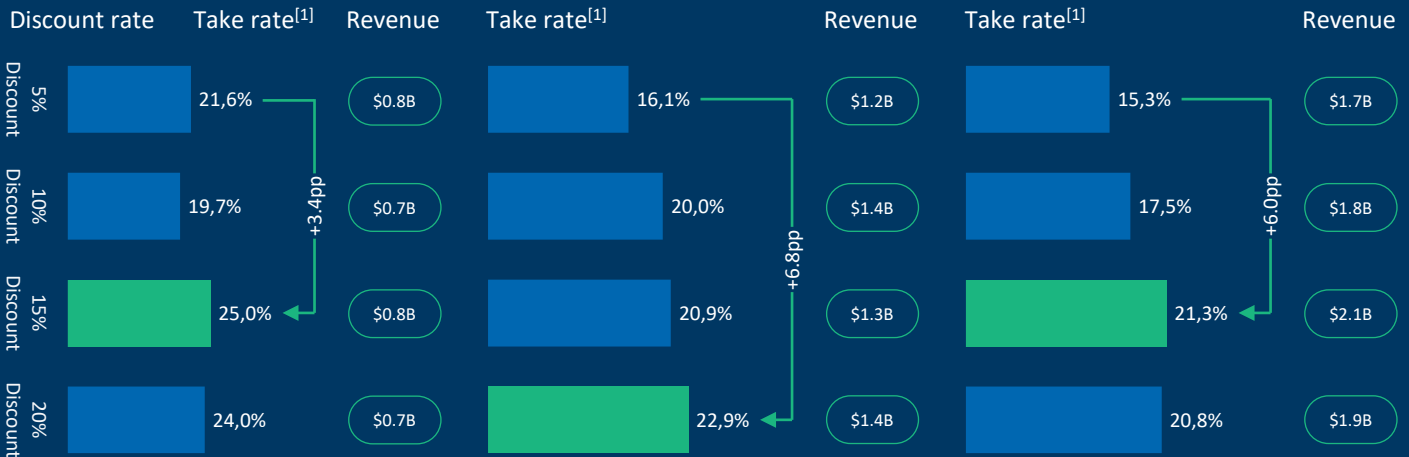
10 SERVICE BUNDLE (ENTERTAINMENT + SERVICES)

Price of standalone services before discount

~\$90

will consist of ~10 services within the following subscription categories:

Video-Streaming (4-5 subscriptions)
Mobile Gaming
Music Streaming
Book & Audio
Delivery
Cloud Storage
Wellness



Survey Q46a to Q48d: If the total cost to buy the standalone services (i.e., without bundling) is ~\$30/60/90, how likely are you to subscribe to the Entertainment Bundle that includes these services, if the bundle is offered at a 5%/10%/15%/20% discount?; Sources: FTI Delta Media Survey March 2024; US broadband household population ~126M from Statista [1] Census-weighted survey responses are further adjusted using market-research standard 70/30/10 overstatement adjustments to

¹⁰ calculate likelihood/"take rate"

Tech companies are well positioned in consumers' perception to be the “bundler”, and some can leverage hardware, particularly smart TVs, to acquire customers

DESIRED BUNDLE AGGREGATOR



DEVICE OF PURCHASE FOR POTENTIAL BUNDLE



Bundle Provider of Choice ^[1]

% of Sample

Top 8 Device of Purchase

% of Sample

1



Tech Company
(e.g., Google, Amazon, Apple)

62%

1



Smart TV

53%

2



Media Conglomerate
(e.g., Disney, Comcast)

38%

2



Phone

38%

3



Telecom Provider
(e.g., Verizon, AT&T)

38%

3



PC / laptop

24%

4



Other Media (e.g., Spotify, Roku)

32%

4



Tablet

16%

5



Retailers (e.g., Walmart)

29%

5



Game console

13%

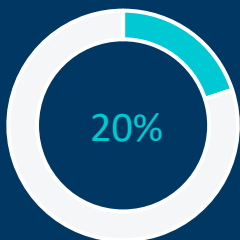
Survey Q42: From which provider(s) would you be most open to hearing about future bundling options?; Q41: Which device(s) would you prefer to purchase a potential bundle with?

¹¹ | Sources: FTI Delta Media Survey March 2024

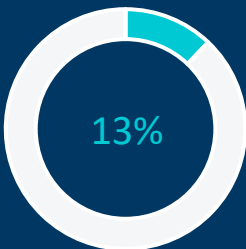
While sports is highly coveted as a content category, early consumer feedback on the recently announced ESPN, Fox, and Warner Bros. Discovery sports bundle points to a relatively niche audience with significant willingness to pay

SPORTS ALONE IS NOT ENOUGH IN A BUNDLE TO ATTRACT SIGNIFICANT MARKET ATTENTION^[1]

HOWEVER, SPORTS ENTHUSIASTS DISPLAY A WILLINGNESS TO PAY AROUND \$40 FOR A POTENTIAL SPORTS BUNDLE



Interested in subscribing to a sports-focused bundle
N = 1,006



Current cable subscribers would cancel their cable and subscribe to the Disney, Fox and Warner Discovery sports bundle
N = 306

Respondents interested in sports-focused bundle. N = 206



~64%
Take Rate

~13M
Subscribers^[2]



~6.3B



~26%
Take Rate

~5M
Subscribers^[2]



~4.0B

REVENUE

Survey Q42a: How likely are you to cancel your cable service and replace it with the recently announced sports streaming bundle with ESPN, Fox, and Warner Bros. Discovery content? Q42b: What monthly price point would be too high for you to subscribe to the recently announced sports streaming bundle with ESPN, Fox, and Warner Bros. Discovery content?; Q45: Which of the following hypothetical bundles would you be interested in subscribing to if the bundle was priced at a 10-20% discount compared to buying the individual services? Sources: FTI Delta Media Survey March 2024; [1] Census-weighted survey responses are further adjusted using market-research standard 70/30/10 overstatement adjustments to calculate likelihood [2] US Broadband Household Population x 20% downward adjustments to

¹² | exclude those who do not have digital subscriptions 20% take rate for sports bundle x % willing to pay x monthly price x 12 months

Paramount+ is highly demanded by consumers and has the ability to supercharge a potential bundle

PARAMOUNT+ HAS MULTI-GENERATIONAL APPEAL



KIDS CONTENT

Nickelodeon



LIVE SPORTS CONTENT

NFL

Champions league



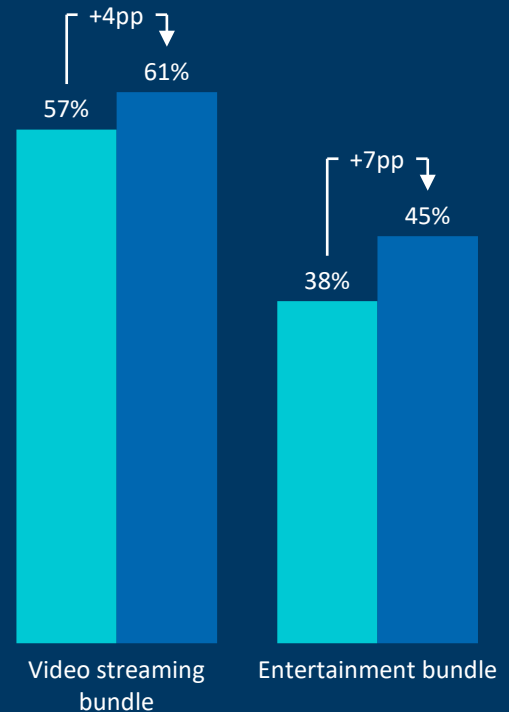
ENTERTAINMENT CONTENT

Series

Movies

CUSTOMERS WHO SUBSCRIBE TO PARAMOUNT+ HAVE A HIGHER PROPENSITY TO SUBSCRIBE TO A VIDEO OR ENTERTAINMENT BUNDLE

Overall. N = 1,006 ■ N = 487



Preferred streaming services to include in a bundle, excl. Netflix and Prime Video

1	Hulu	60%
2	Paramount+	52%
3	Max	56%
4	Disney+	43%
5	Peacock	38%

Survey Q44: Out of the following video subscriptions, please choose 1 to 8 services that you would want to be included in this bundle. Rank your top 8 in order from most preferred, 2nd most, 3rd most, etc. Survey Q45: Which of the following hypothetical bundles would you be interested in subscribing to if the bundle was priced at a 10-20% discount compared to buying the individual services?

How Can FTI Delta Help Capture Opportunities

LEVERAGING...



Extensive experience in consumer research and testing product-market fit



Access to deep data insights and analytics across market segments



Deep knowledge of competitive considerations that underlie business decisions



FTI DELTA CAN HELP...



Conduct key analyses in optimal product bundling and unlock unrealized revenue streams



Develop and execute market segmentation and go-to-market strategies that balance short and long-term goals



Identify the right pricing and product strategies, set up business/operating models and support deal/partnerships structuring

MEET OUR LEADERS



**PHIL
SCHUMAN**

Head of the Media & Entertainment Practice
Tel: +1.310.651.9060
Phil.Schuman@ftidelta.com



**DANIEL
PUNT**

Senior Managing Director
Media & Entertainment Practice
Tel: +1.310.651.9066
Daniel.Punt@ftidelta.com



**FRANCESCO
DI IANNI**

Senior Managing Director
Media & Entertainment Practice
Tel: +1.310.746.7588
Francesco.Diianni@ftidelta.com



**SAMANTHA
FRIEDMAN**

Managing Director
Media & Entertainment Practice
Tel: +1.303.689.8889
Samantha.Friedman@ftidelta.com



**ANTONIO
GUASTAFIERRO**

Senior Managing Director
Media & Entertainment Practice
Tel: +1.720.213.9825
Antonio.Guastafierro@ftidelta.com



**JUSTIN
EISENBAND**

Senior Managing Director
Media & Entertainment Practice
Tel: +1.646.485.0533
Justin.Eisenband@ftidelta.com



**SHANE
RAHMANI**

Senior Advisor
Media & Entertainment Practice
Shane.Rahmani@ftidelta.com



**SEBASTIAN
BLUM**

Senior Managing Director
Media & Entertainment Practice
Tel: +1.212.651.7177
Sebastian.Blum@ftidelta.com



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