Pressures Mounting on Streaming Services:

Are Distribution Deals with Cable Operators Soon to Come?

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Numerous recent news headlines from the past quarter – *"Americans Spend $48 per Month on Video Streaming Services – and Half Say That's Too Much"*; *"Cord Cutters Are Spending Less on Streaming in 2023"*; *"Wall Street Wants Streamers to Make More Money – but Consumers Want to Pay Less"*; *"Video Subscription Stacking Declines for the First Time in 5 Years"*; and *"The Great Netflix Correction One Year Later"* – confirm that streaming players may soon be shoved into the arms of cable/Internet service providers who are in the best position to bundle video services in a single bill while providing superior service.

In mid-May, leading broadband service provider WOW! Internet, Cable & Phone announced that it had signed an agreement with Google to offer YouTube TV as its dedicated live television offering. In the announcement, the company said that the "agreement transforms how WOW! offers pay-TV service and reinforces its broadband-first strategy by bundling YouTube TV with WOW! Internet."

The scenario is clear: The current streaming players have a problem. Their business model is unsustainable with churn among the 400+ players averaging 20% per month and customer-acquisition costs averaging hundreds to thousands of dollars each, meaning streaming customers are not sticking around long enough to even break even. As a result, we see many streaming players desperately experimenting with higher prices, password-sharing crackdowns, ad-supported tiers and major content cuts. Yet, with nearly half of total subscribers believing they currently pay too much for services and a third saying they plan to reduce their number of streaming subscriptions, it is only a matter of time before streaming services seek distribution agreements with cable operators, similar to WOW! and YouTube TV, as a sustainable way to solve their current conundrum and meet the profit expectations of their shareholders.

Concurrently, industry analysts report that cable operators who bundle some form of video with their broadband service experience 2X-5X the broadband subscriber growth (and lower churn) than those who offer no video. Such operators also enjoy the significant benefit of constant, *branded* engagements with their customers, including ongoing self-promotion and brand-building.

Further, as operators continue to migrate to multi-screen IPTV services, many of them are recognizing that the *primary* strategic role of this service must be to build and differentiate their brand and to promote and accelerate their *broadband* service market share and growth. To do so successfully, the operator's IPTV solution partner must also be strategically aligned to this new reality - from the partner's ownership structure and financial stability to its business models and IPTV solution features. Such features should enable onscreen advertising of operator broadband services while also immediately enabling operator subscribers to easily and universally search for content from the linear guide, DVR and VOD as well as streaming sources including Netflix, Disney+, Prime Video, YouTube, and hundreds of others, simultaneously. This immediately positions the operator as a one-stop-shop for content, initially leveraging consumers' own streaming subscriptions, and eventually, pulling specific streaming services into the operator price bundle as the streaming players inevitably seek distribution deals with operators. ■