EMARKETER

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Ross Benes

Digital Video Forecast and Trends Q1 2024

Shifting US Video Subscription Revenues Benefit Netflix, YouTube, and Amazon

Netflix and YouTube are siphoning subscription revenues from pay TV's losses. By the end of 2025, more than half of US video subscription revenues will go to streaming services. This EMARKETER analyst report highlights our forecasts, and explores to what degree subscription revenues are shifting from pay TV to streaming.

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ADVERTISING SOLUTIONS

Contents

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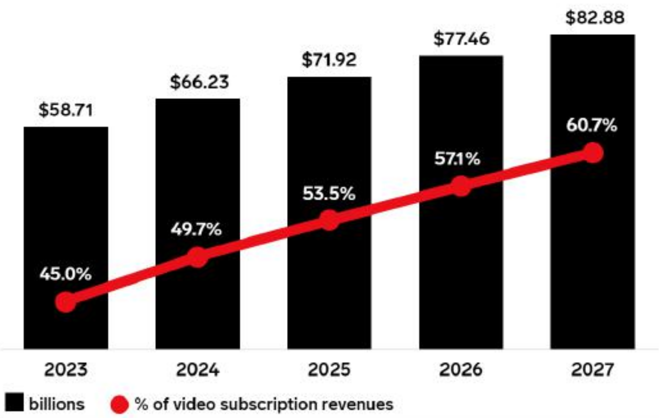
- **Video subscription revenues are growing more slowly than inflation rates.** In 2024, video subscription revenues will grow 2.1% YoY, with that rate falling under 1% per year from 2025 through 2027, per our estimates. US adults will pay around $133.15 billion for TV and streaming video subscriptions this year.
- **Traditional pay TV is losing ground.** Between 2020 and 2024, the share of total video subscription revenues that went to traditional TV decreased from 72.6% to 50.3%.
- **OTT will soon pass pay TV.** OTT subscription revenues will exceed traditional TV subscription revenues for the first time in 2025, according to our forecast. If digital pay TV services like YouTube TV and Sling TV are excluded from OTT, then OTT subscription revenues won't pass traditional TV until 2026.
- **YouTube's US subscription revenues will exceed $10 billion in 2024.** YouTube still makes most of its money from ads, but its business has diversified. In 2019, just 18.2% of YouTube's combined US gross advertising and subscription revenues came from subscriptions. In 2024, that figure will sit at 37.6%.
- **Netflix generates more US OTT subscription revenues than any other service.** Netflix will account for more than one-fifth of total OTT subscription revenues this year.

OTT Subscription Revenues

US, 2023-2027



Note: includes revenues from regularly recurring fees for access to OTT video services charged either directly to consumers or via a third party on a consumer's behalf; third parties can include mobile carriers, pay TV providers, or electronics manufacturers; excludes revenues from advertising, pay-per-view, or other nonrecurring revenue streams; excludes subscription revenues from Amazon Prime; includes subscription revenues for vMVPD services
Source: Insider Intelligence | eMarketer, December 2023

Insider Intelligence | eMarketer

OTT subscription revenues are on track to surpass pay TV's

An increasing share of subscription revenues is shifting from pay TV to OTT services. Streaming customers are becoming more likely to choose advertising plans or cancel their subscriptions.

Pay TV drags down total video subscription revenues

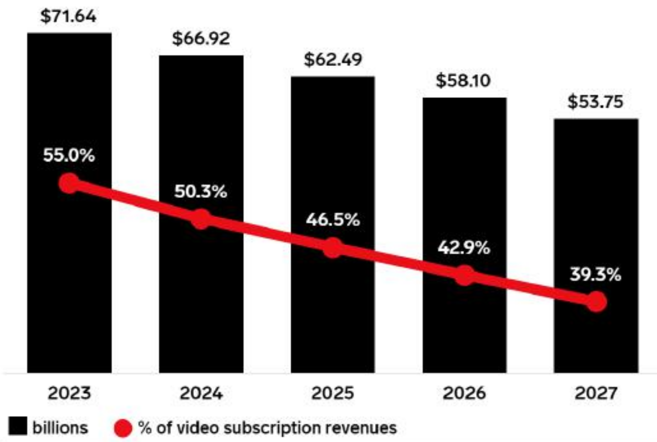
- **Video subscription revenues are growing below inflation rates.** In 2023, US video subscription revenues (the combination of pay TV and OTT subscription revenues) grew only 2.3% YoY, which was below inflation. This year, video subscription revenues will grow 2.1% YoY, with annual growth falling under 1% from 2025 through 2027, per our forecast. For the same period, the amount that US adults will pay for TV and streaming video subscriptions will hover around $135 billion.

- **Traditional pay TV continues to lose ground.** Between 2020 and 2024, the share of total video subscription revenues that went to traditional TV decreased from 72.6% to 50.3%. Pay TV prices have increased, but cord-cutting has been so drastic that traditional pay TV subscription revenues continue to shrink between 6% and 7% per year.

- **Among pay TV providers, satellite has been hit hardest.** The declines in pay TV aren't equally spread out. In 2024, subscription revenues will shrink by 4.1% for cable, 6.4% for telco, and 11.5% for satellite, per our estimates. The problems facing satellite TV were underscored when creditors accused provider Dish Network of illegal restructuring. Carriage disputes with network affiliates also prompted satellite service DirecTV to consider replacing local channels with national broadcast feeds.

Traditional Pay TV Subscription Revenues

US, 2023-2027



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Source: Insider Intelligence | eMarketer, December 2023

Insider Intelligence | eMarketer

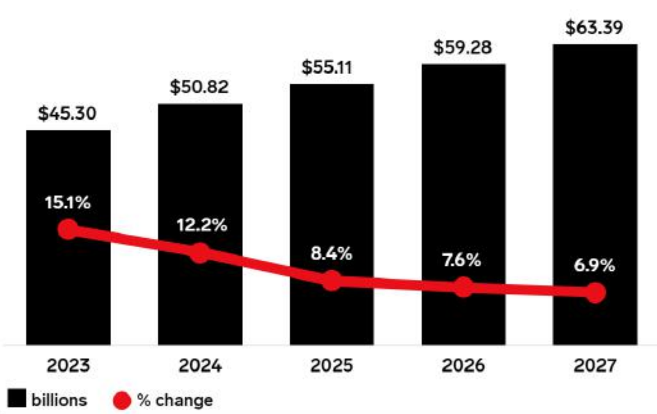
Growth rates will slow for a maturing OTT market

- **Annual OTT subscription revenue growth will dip below double digits for the first time in 2025.** OTT is still expanding, but its slowed growth rate reflects its maturation. Nearly three-quarters of US internet users will be subscription OTT viewers in 2024, per our forecast. This year, less than one-fourth of total OTT subscription revenues will come from digital pay TV services like YouTube TV and Sling TV, also known as vMVPDs (virtual multichannel video programming distributors).

- **Subscription revenues for OTT will soon pass traditional pay TV.** OTT subscription revenues will exceed traditional TV subscription revenues in 2025 for the first time. If digital pay TV services are excluded from OTT, then OTT subscription revenues won't pass traditional TV until 2026. We revised our OTT subscription revenues estimate upward due to growth from Peacock, Max, and Apple TV+.

- **Customer loyalty is declining.** The number of entertainment options available to streaming consumers has grown, while inflation and subscription price hikes have made them more selective. Monthly cancellations to streaming services increased from 5.1% in November 2022 to 6.3% in November 2023, according to Antenna. The share of consumers who canceled at least three services in the past two years increased from 15% to 25%, per Antenna. With profitability pressures mounting and content becoming more expensive to produce following Hollywood's recent strikes, expect more subscription price increases and customer cancellations.
- **Price-sensitive viewers are targeted with ad tiers.** Cheaper advertising plans have taken off lately. In November 2023, for the first time ever, there were more new streaming sign-ups for advertising plans than sign-ups without ads, according to Antenna. Advertising sign-ups will get another boost with Amazon, making ads the default for Prime Video.

OTT ex. vMVPD Subscription Revenues
US, 2023-2027



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Source: Insider Intelligence | eMarketer, December 2023

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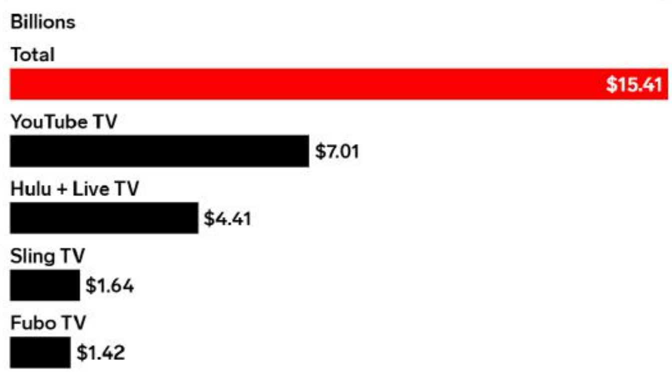
Viewers are becoming more accustomed to watching live TV digitally

- **Digital pay TV services are a hybrid of TV and streaming.** Because digital pay TV is streamable and digitally delivered, it can be viewed as OTT. But its subscription fees, advertising structures, channel lineups, reliance on live sports, and retransmission negotiations mimic pay TV. For these reasons, digital pay TV can be analyzed separately.
- **The digital pay TV market is growing steadily.** Digital pay TV subscription revenue growth rates won't dip below double digits until 2025, according to our forecast. These revenues will account for nearly one-fourth of total OTT subscription revenues and almost one-fifth of total pay TV subscription revenues this year. In 2024, nearly one-tenth of the US population will watch live sports via a digital pay TV service, and nearly three-fourths of digital pay TV viewers will watch live sports on these services. Digital pay TV subscription revenues are growing at higher rates than the rest of the streaming market due to significant price increases.
- **YouTube TV and Hulu + Live TV have positioned themselves as digital pay TV leaders.** In 2024, YouTube TV and Hulu + Live TV will receive three-fourths of US digital pay TV subscription revenues. The share belonging to the rest of the market has shrunk since the pandemic.

vMVPD Subscription Revenues, by Provider
US, 2024



Note: includes revenues from regularly recurring fees for access to vMVPD video services charged either directly to consumers or via a third party on a consumer's behalf; third parties can include mobile carriers, pay TV providers, or electronics manufacturers; excludes revenues from advertising, pay-per-view, or other nonrecurring revenue streams
Source: Insider Intelligence | eMarketer, December 2023

Insider Intelligence | eMarketer

YouTube, Netflix, and Amazon stand out with their subscription offerings

YouTube's subscription revenues will pass the $10 billion milestone this year. But Netflix is still at the top, and Amazon is making moves.

YouTube's US subscription revenues will exceed $10 billion this year

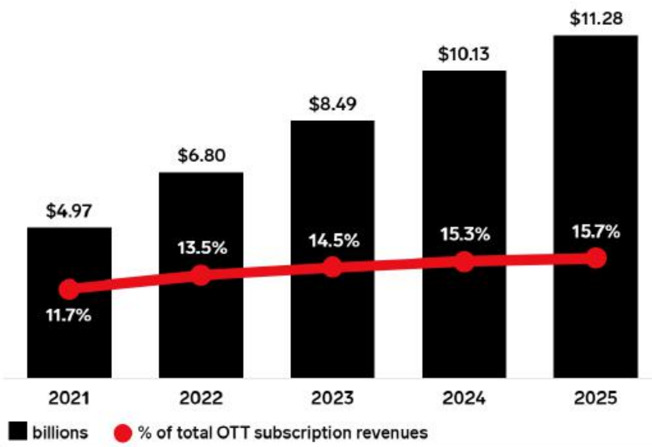
- **YouTube has become a leading pay TV provider.** More than two-thirds of YouTube's subscription revenues come from its digital pay TV service, YouTube TV. YouTube's commitment to the service was evident when it paid about $2 billion per year to obtain exclusive rights to the NFL Sunday Ticket package. With 41.2% of total digital pay TV viewers this year, per our estimates, YouTube TV will be the largest provider in that category. Among all pay TV providers, YouTube is the fourth-largest provider, behind DirecTV, Comcast, and Charter, according to MoffettNathanson.

- **Music streaming and crackdowns on ad blocking drive users to YouTube's other primary subscription service.** We project that YouTube Premium's subscription revenues will exceed $3 billion in 2024, putting it just ahead of Paramount+'s subscription revenues. This includes revenues from YouTube's music service, which competes with Spotify and Apple Music. Another way YouTube has grown its Premium user base is by heightening ad loads and cracking down on ad blockers. This tactic incentivizes people to pay for YouTube Premium to avoid ads.

- **While still primarily an advertising company, YouTube has diversified its business.** In 2019, YouTube's US gross advertising and subscription revenues were a combined $8.75 billion. Just 18.2% of this money came from subscription revenues, and the rest came from advertising. In 2024, subscriptions will account for 37.6% of YouTube's combined US gross advertising and subscription revenues. Over five years, YouTube's share of revenues attributable to subscriptions doubled.

YouTube OTT Subscription Revenues

US, 2021-2025



Note: includes subscription revenues for YouTube TV and YouTube Premium
Source: Insider Intelligence | eMarketer, December 2023

Insider Intelligence | eMarketer

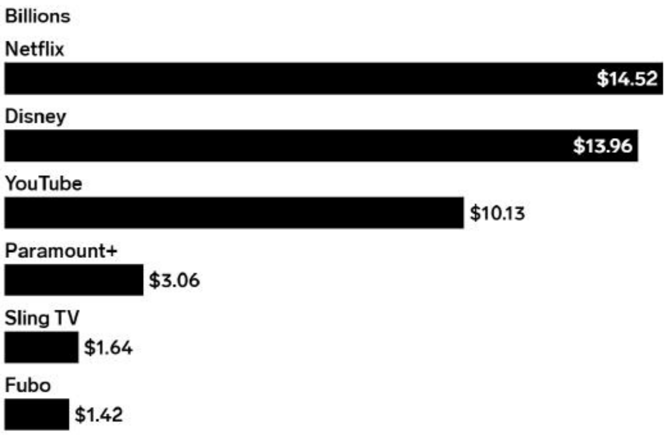
Netflix is still king in streaming subscription revenues

- **Netflix will generate more than $14 billion in US OTT subscription revenues this year, more than any other company.** Disney will come closest to Netflix, but that's after Disney+, Hulu, and ESPN+ revenues are combined. Netflix will account for more than one-fifth of total OTT subscription revenues this year; no other service comes close.

- **Rivals are eating into Netflix's share of industry revenues.** Netflix's subscription revenues have been growing, but not as fast as the rest of the industry. Between 2020 and 2025, Netflix's share of total US OTT subscription revenues will shrink from 32.4% to 21.3%, per our forecast. This has happened as YouTube and Paramount+ expanded their share of OTT subscription revenues, and the nascent businesses of Peacock and Apple TV+ found larger audiences.

- **Netflix is squeezing more money out of its viewers.** Netflix's US audience is saturated, as the service will reach more than three-fourths of US subscription OTT users this year. To generate more revenues from its consumers, Netflix has restricted password-sharing and continued to raise subscription fees. Netflix also adopted advertising after avoiding it for years.

OTT Subscription Revenues, by Provider
US, 2024



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Source: Insider Intelligence | eMarketer, December 2023

Insider Intelligence | eMarketer

Amazon will have a big year in streaming

- **Our OTT subscription revenues forecast doesn't include Amazon.** Because it is not possible to break out how much of Amazon Prime's subscription revenues are attributable to streaming, we exclude Prime from our OTT subscription revenues forecast. We forecast that US adults will watch Prime Video for an average of 12 minutes per day in 2024, which is almost one-third the amount of time people will spend watching Netflix. These figures are averaged across viewers and nonviewers alike.

- **Prime Video is set for big changes.** In January, Amazon turned advertising on by default for Prime Video users. To avoid ads, Prime Video subscribers can pay an additional $3 per month. This tactic could generate $1.80 billion of subscription revenues for Amazon this year, Bank of America estimated.

- **More sports are coming to Prime Video.** In January, Amazon acquired a stake in the bankrupt Diamond Sports, a regional sports network company. This allowed Amazon to obtain the local broadcasting rights for several professional sports teams. Pricing details haven't been announced, but it's feasible that Amazon could increase its video subscription revenues by charging a monthly fee to access the games of specific teams.

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Digital Video Forecast and Trends Q4 2023: SVOD Ad Tiers, Prime Video Commercials, and the End of the Hollywood Strikes

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What's the Skinny on vMVPDs? How Digital Pay TV Will Disrupt Cord-Cutting

How mobile data drives omnichannel success

This sponsored article was contributed by T-Mobile Advertising Solutions.

Kevin McGurn
Vice President of Sales, Marketing, and Distribution
T-Mobile Advertising Solutions

Connectivity matters more than ever. Today's marketers must be able to identify their audiences based on a greater understanding of the buyer's journey across all channels. And that understanding increasingly needs to start with mobile data.

Launching omnichannel campaigns with a strategic emphasis on mobile data is the only sure way to position a brand for success in today's interconnected digital landscape. Mobile devices have become ubiquitous, serving as constant companions in consumers' daily lives.

At T-Mobile Advertising Solutions (T-Ads), we're leveraging our exclusive first-party Mobility Data with third-party behavioral, environmental, and contextual data sets to reveal a more holistic view of consumer interests and intent, all with a privacy-first lens. This view enables marketers to reach consumers at the right time, in the right place, with mobile data-informed advertising experiences—not only on their smartphones but also in CTV and DOOH environments. At the same time, the mobile foundation of these campaigns enables de-duplicated reach and frequency across digital, CTV, and linear, helping marketers decrease campaign waste and increase ROI.

Let's look at two recent success stories where advertisers laid their foundation for omnichannel success with mobile data.

1. With new smartphones launching in the lead-up to Q4 2023, a leading OEM partnered with T-Ads to drive consideration with customers during the busy holiday season. The media plan activated T-Ads' advanced video offering, delivering premium cross-screen video, with a focus on CTV and DOOH. In addition to first-party audience data, T-Ads supported the creative production across numerous media assets.

Ultimately, the campaign utilized a brand lift study and dramatically overperformed industry standards, delivering:

- A 93% video completion rate
- More than 334 million total impressions
- A near-even split across advanced video and DOOH video channels
- 150 million verified impressions across the US in key DMAs via T-Mobile's unique rideshare offering
- A full-funnel lift of +14% unaided brand awareness, +5.9% brand consideration, and +4.7% purchase intent

By tapping into T-Mobile's custom first-party audiences to reach users on CTV and a mix of online video, the brand was able to find its customers across all screens. The brand targeted key audience parameters around LatinX, iOS switchers, holiday tech shoppers, travel enthusiasts, and more. Based on performance, the advertiser decided to heavy up on iOS and LatinX audiences throughout the campaign, demonstrating the nimbleness and optimization opportunities inherent in this approach.

2. A popular SVOD streaming service tapped into T-Ads' app engagement audiences to jumpstart a new campaign. The campaign's performance goals were set against cost per subscription and cost per site visit metrics, and the team was able to use app ownership attributes to target audiences who would most likely be in the consideration funnel for the SVOD service. Ultimately, the campaign:

- Beat its goal by 87%
- Achieved a $1.37 CPSV
- Leveraged 16 unique addressable audiences based on T-Mobile Mobility Data
- Delivered 66 million total impressions across online video and display

Understanding user behavior, preferences, and engagement patterns using mobile data is instrumental in crafting targeted and relevant messaging. Moreover, integrating mobile data into an omnichannel marketing strategy enables businesses to enhance customer engagement and build cohesive and consistent brand experiences.

In 2024, marketers understand that the media landscape is omnichannel—and omnichannel success starts with mobile data. It's the data magic that fuels a better human experience.

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