



Gemba

Winning the Streaming Wars 3.0

STREAMING INDUSTRY REPORT

MAY 2022

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As the streaming market enters a period of consolidation post-COVID, the third edition of 'Winning the Streaming Wars' provides a perspective into which services are on top and what this means for the consumer.

At a time when services look for growth, how will consumers react to spending more for content and will advertising become part of our streaming experience in the future?



01.
INTRODUCTION

02.
STREAMING SERVICE ENGAGEMENT

03.
SPENDING HABITS

04.
SUBSCRIBER RETENTION

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01

INTRODUCTION



METHODOLOGY AND REPORTING NOTES

Methodology

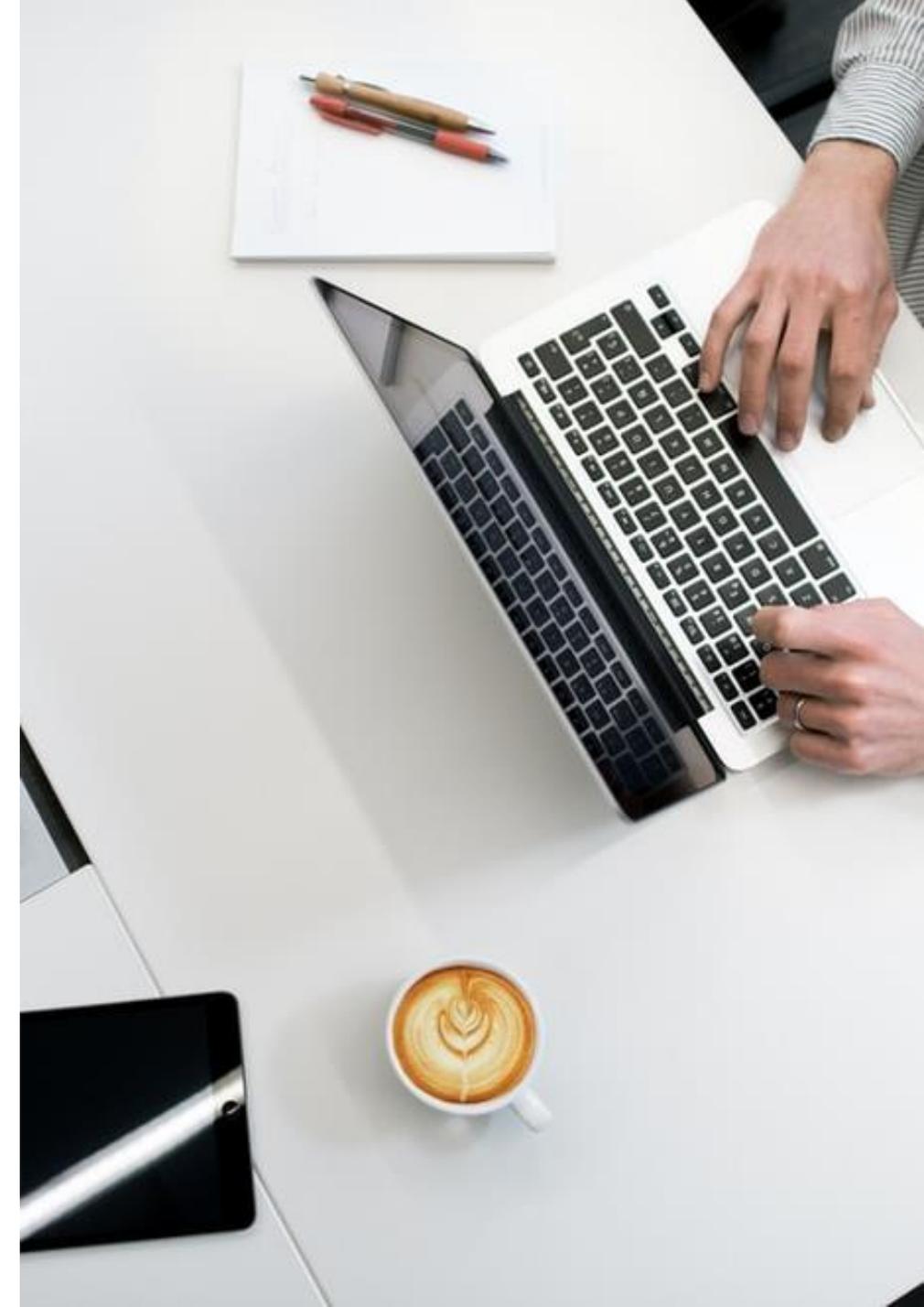
For the third year Gemba conducted a study focussing on the streaming category within Australia.

Using a nationally representative sample, this study aims to provide an overview of the streaming category and analyse different types of consumers.

A total of n=974 respondents were collected via the survey, this compares to n=941 collected in 2021.

Research Notes

- Survey was conducted from 10 April - 19 April 2022.
- Data has been post-weighted to ABS age and gender proportions and is representative of the Australian population.
- The maximum margin of error on a sample of n=974 is +/- 4% at the 95% confidence interval.
- This research was conducted in compliance with ISO-20252.



EXECUTIVE SUMMARY



GROWTH HAS PLATEAUED

Streaming penetration has declined in 2022, with the average number of subscriptions remaining consistent at 3.6



SMALLER SERVICES SUCCEEDING

Smaller, more niche services such as Kayo, Binge, Optus Sport and Stan Sport have gained ground in 2022



INFLATION IS HITTING CONSUMERS

The average amount spent per month increased by 7%, reflecting the price increases across a number of services



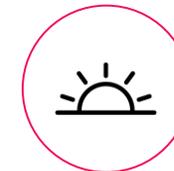
WE ARE COMFORTABLE WITH OUR SPEND

Despite the average monthly cost increasing, Australian's are more comfortable with how much they are spending, compared to a year ago (+14)



CHURN IS INCREASING

The proportion of subscribers, leaving a service in the first six months has increases significantly (+18) since 2021



AVOD IS ON THE HORIZON

Increasing price sensitivity provides a clear opportunity for services to move to AVOD models

THE MAJOR FRONTS OF THE STREAMING WARS

MARKET SATURATION

Gemba's latest research has shown that as we have come out of COVID, penetration of streaming hasn't continued to grow. This point of **market saturation** is impacting the largest players and has been reflected in **Netflix's loss of 200,000 subscribers** this past quarter.

As smaller players seek to expand, expect more services to struggle for growth in the near term as the battle for market share continues to be fierce.

This will be further compounded by BVOD (Broadcast Video on Demand) services such as 7plus and 9Now that are **increasingly being integrated into Australians homes** via Smart TV's.

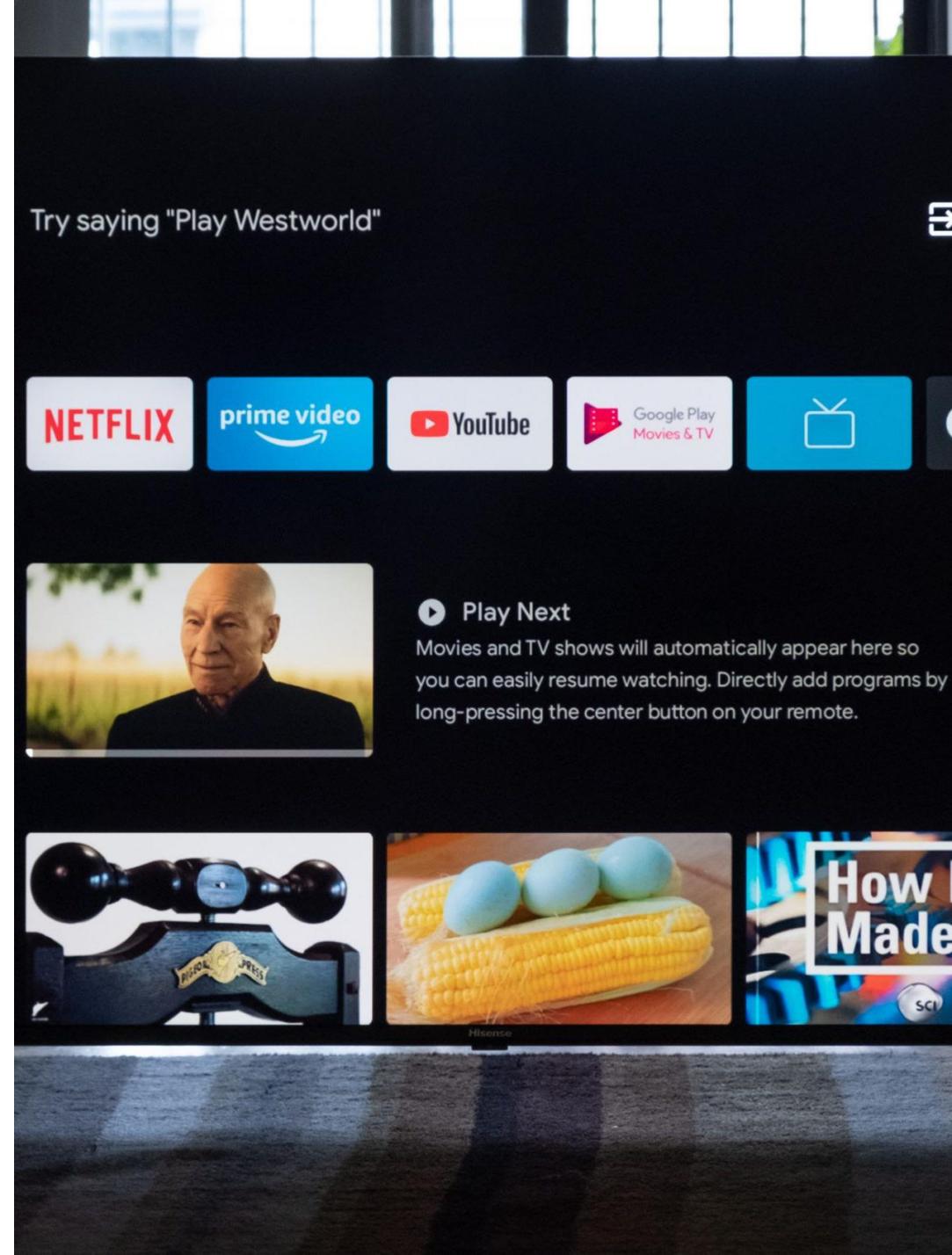
PRICE AND THE COST OF LIVING

As subscriber growth has slowed and services are raising their price to continue to grow revenue, the average amount Australians spend per month on streaming has **increased by 7%**.

Price will be an increasing focus for subscription services as the existing opportunity to grow market share by transitioning 'cord-cutters' away from traditional Pay TV has passed.

The cost of services **will increasingly become a pressure for consumers**, leading to higher levels of subscriber churn and emphasising the need for the best content.

This time next year the market will likely be more focussed on **revenue per customer** as opposed to the number of subscribers a service has.



THE MAJOR FRONTS OF THE STREAMING WARS

AGGREGATION

The stabilisation in subscriber growth, increasing cost of living and a highly congested streaming market, points towards an upcoming period of **consolidation and aggregation**.

Given the relatively small Australian market compared with the US and Europe, expect to see larger global players such as **Disney+ and Amazon Prime flex their muscle** and consolidate the most attractive content under their own platforms.

The **recent launch of Optus SubHub** is an early sign of the commercial opportunity in aggregating services and providing increased value to consumers. Longer term, **Foxtel's partnership with Sky Glass** will see the user experience of aggregation become more seamless, with a focus on user experience.

ADVERTISING

Gemba's research shows AVOD (Advertising Video on Demand) is set to capitalise on the fact that consumers' motivation to **save money is greater than their aversion to in-service advertising**.

Advertising is likely to feature in streaming services sooner rather than later, with many US players such as HBO Max, Disney+ and Hulu already implementing more affordable ad-supported offerings.

This will be a much-needed growth driver for streaming services and the focus will be on **attracting new subscribers via cheaper price points or retaining existing customers and transitioning them to a lower cost plan** whilst maintaining scale for advertisers.



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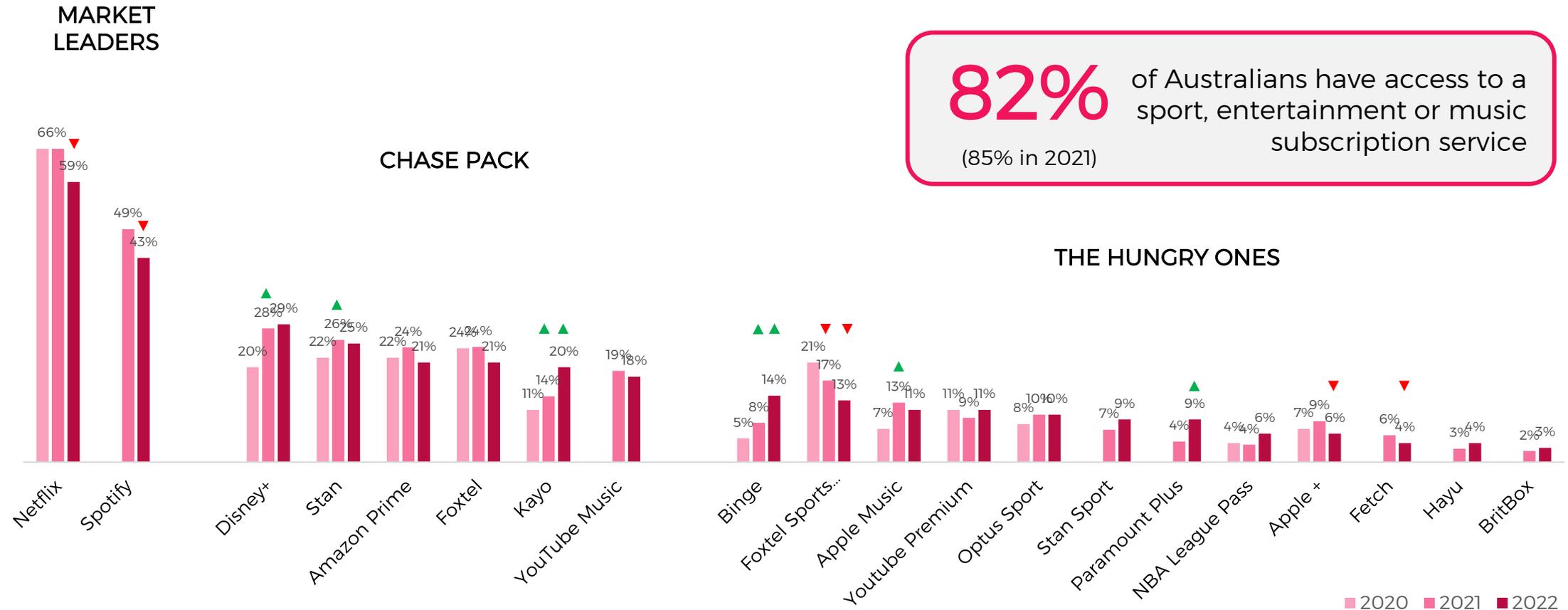
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STREAMING SERVICE
ENGAGEMENT



The penetration of streaming services has declined – market leaders have lost out, while smaller platforms are stealing market share

ENGAGEMENT | MARKET PENETRATION OF STREAMING PLATFORMS (APRIL 2022)



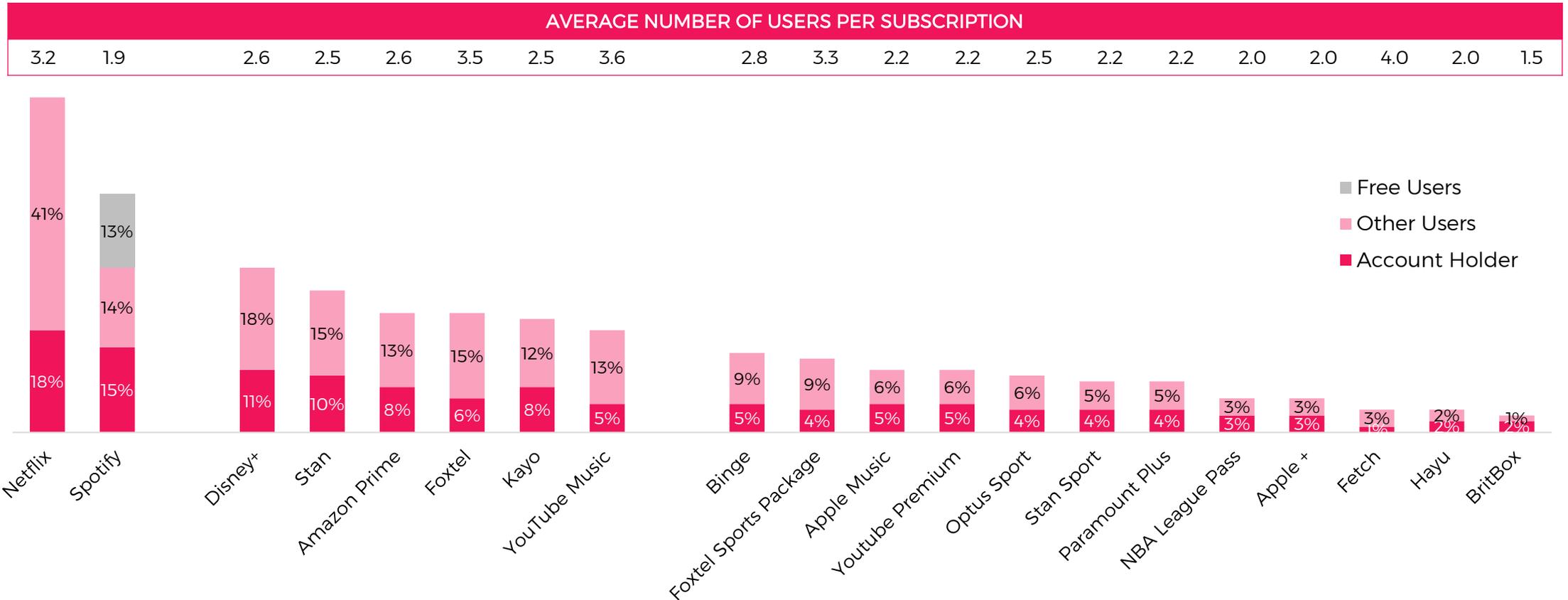
82% of Australians have access to a sport, entertainment or music subscription service (85% in 2021)

Which of the following subscriptions services do you or your household currently subscribe to? That is, you pay a monthly fee to access?
 Base n=974
 Note - This question analyses the number of people who have access to a streaming service, not the number of account holders (see slide 9)

▲ ▼ SIGNIFICANT INCREASE / DECREASE AT 95% CONFIDENCE

Most subscription services are being used by two to three users, per paying subscriber

ENGAGEMENT | NUMBER OF USERS PER SUBSCRIPTION



Q. For each of the subscription services you selected, please select the ones where you are the account holder?

New Question - No year on year comparison

Base n=976

The average number of subscriptions hasn't changed in the past year with sports services the only category experiencing growth

ENGAGEMENT | NUMBER OF SUBSCRIPTIONS HELD ON AVERAGE



AVERAGE NUMBER OF SUBSCRIPTIONS

3.6

(2021 - 3.6)



Which of the following subscriptions services do you or your household currently subscribe to? That is, you pay a monthly fee to access?

Base: Total (n=974), Male (n=457), Female (n=547)

Netflix and Spotify remain the two must haves, while in 2022 Kayo and Disney+ have made serious ground

ENGAGEMENT | WHAT SERVICES WE CAN'T LIVE WITHOUT (2022)

	TOTAL POP	AFL FANS	FOOTBALL FANS	NRL FANS	TV / MOVIE FANS
#1					
#2					
#3					
#4					
#5					
#6					
Average number of subs (change since 2021)	3.6 (0)	4.3 (+0.1)	6.2 (+0.7)	5.2 (+0.3)	4.0 (-0.6)

If you could only keep a subscription to 3 platforms, which 3 would they be they be? Please type 1 into the box that is your most preferred platform and 3 into the third most preferred platform as number 3
Base n=974

Younger viewers have moved away from Foxtel and are likely to have access to around five subscriptions

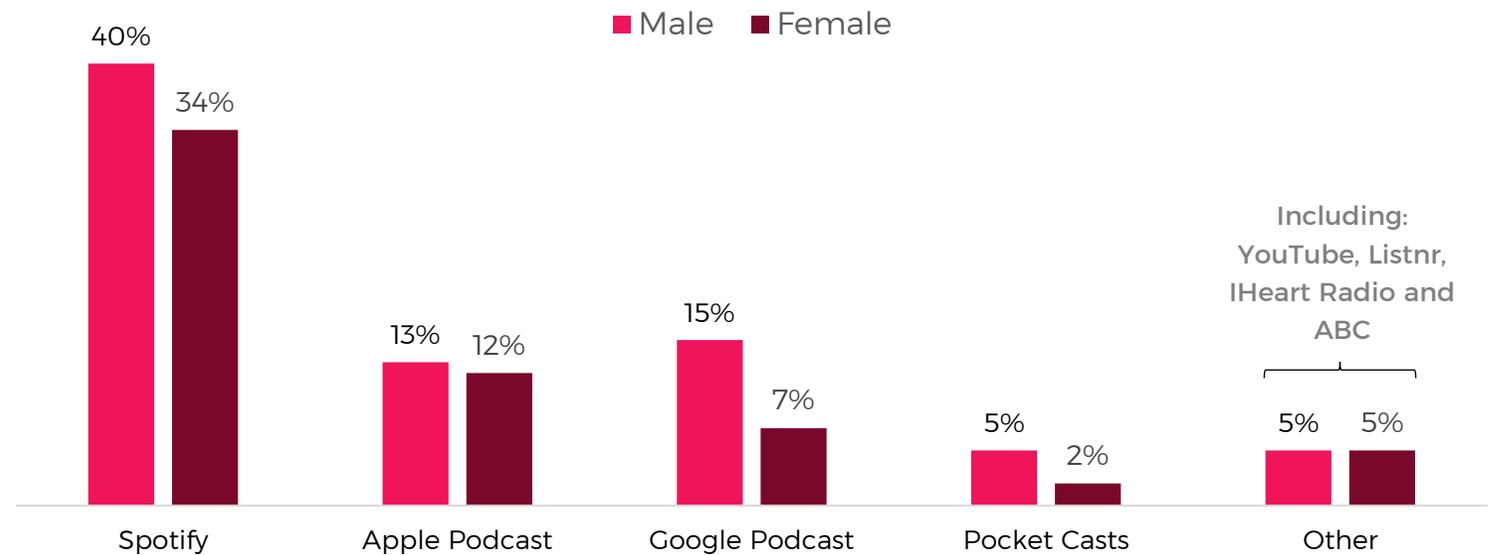
ENGAGEMENT | WHAT SERVICES WE CAN'T LIVE WITHOUT (2022)

	16-24	25-34	35-44	45-54	55-64
#1					
#2					
#3					
#4					
#5					
#6					
Average number of subs (change since 2021)	5.5	5.5	4.8	3.0	2.2

If you could only keep a subscription to 3 platforms, which 3 would they be they be? Please type 1 into the box that is your most preferred platform and 3 into the third most preferred platform as number 3
Base n=974

Just over half of Australians listen to podcasts, with younger males the most likely to be listening in

ENGAGEMENT | LISTENING TO PODCASTS



Which of the following platforms do you use to listen to podcasts?
Base: n=974

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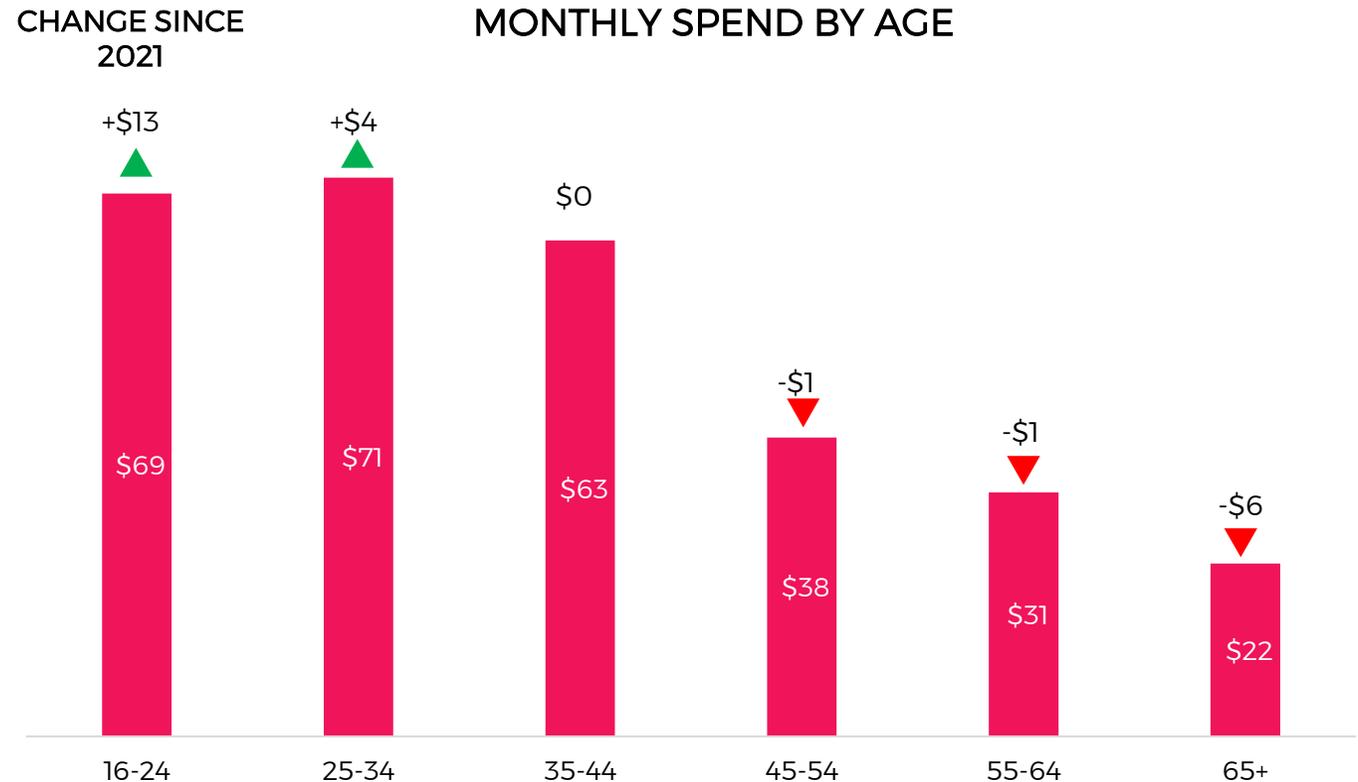
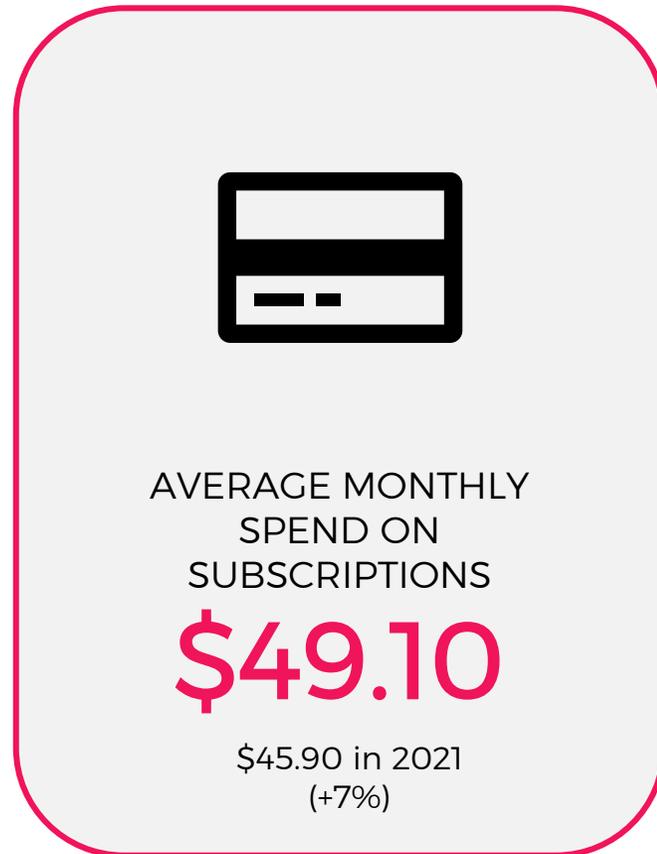
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SPENDING HABITS



The amount spent on subscription services has increased by 7%, with younger consumers continuing to spend more

SPENDING HABITS | AVERAGE AMOUNT SPENT ON MONTHLY SUBSCRIPTIONS

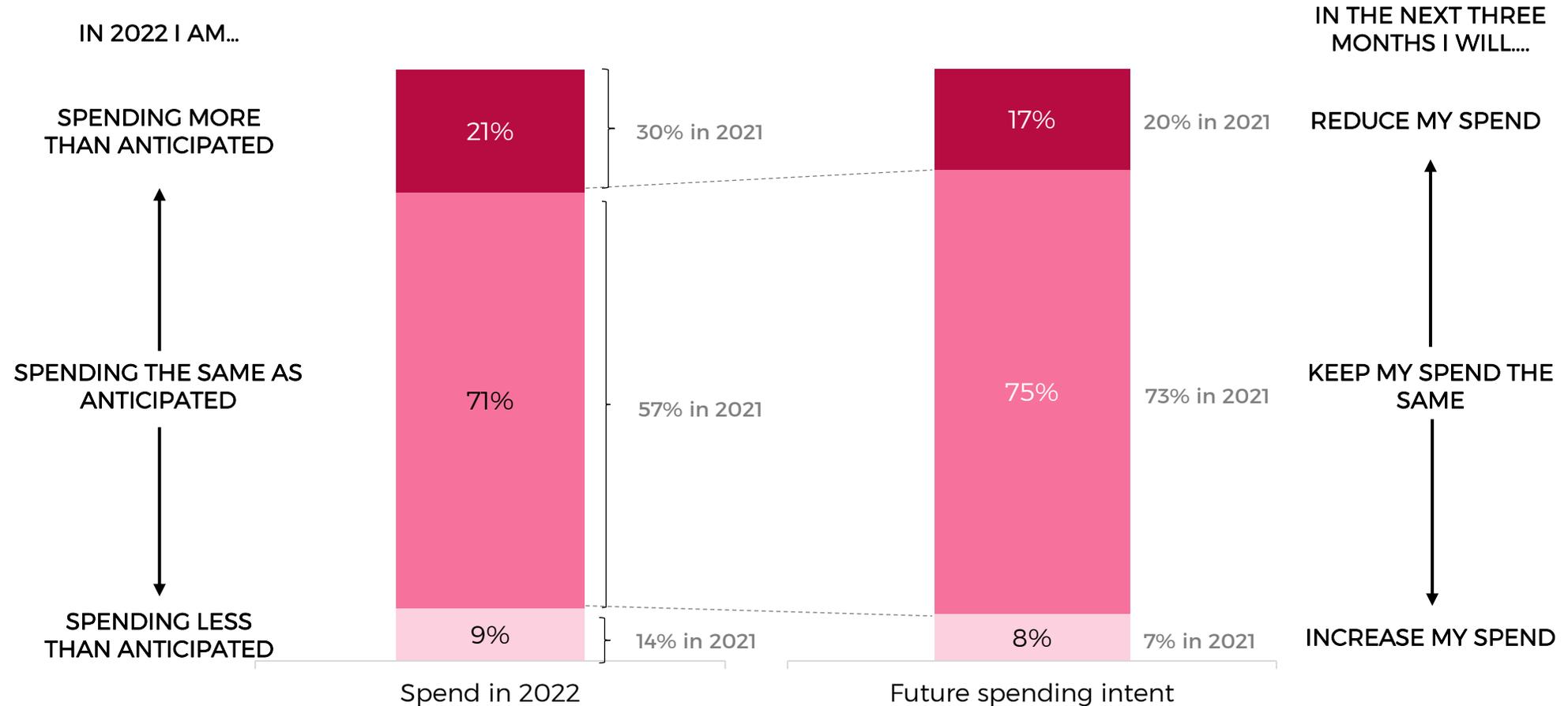


Which of the following subscriptions services do you or your household currently subscribe to? That is, you pay a monthly fee to access?

Base: Total (n=941), 16-24 (n=136), 25-34 (n=161), 35-44 (n=172), 45-54 (n=130), 55-64 (n=141), 65+ (n=201)

Consumers are becoming more comfortable with what they are spending on subscription services

SPENDING HABITS | ATTITUDE TOWARDS INCREASED SUBSCRIPTION SPEND



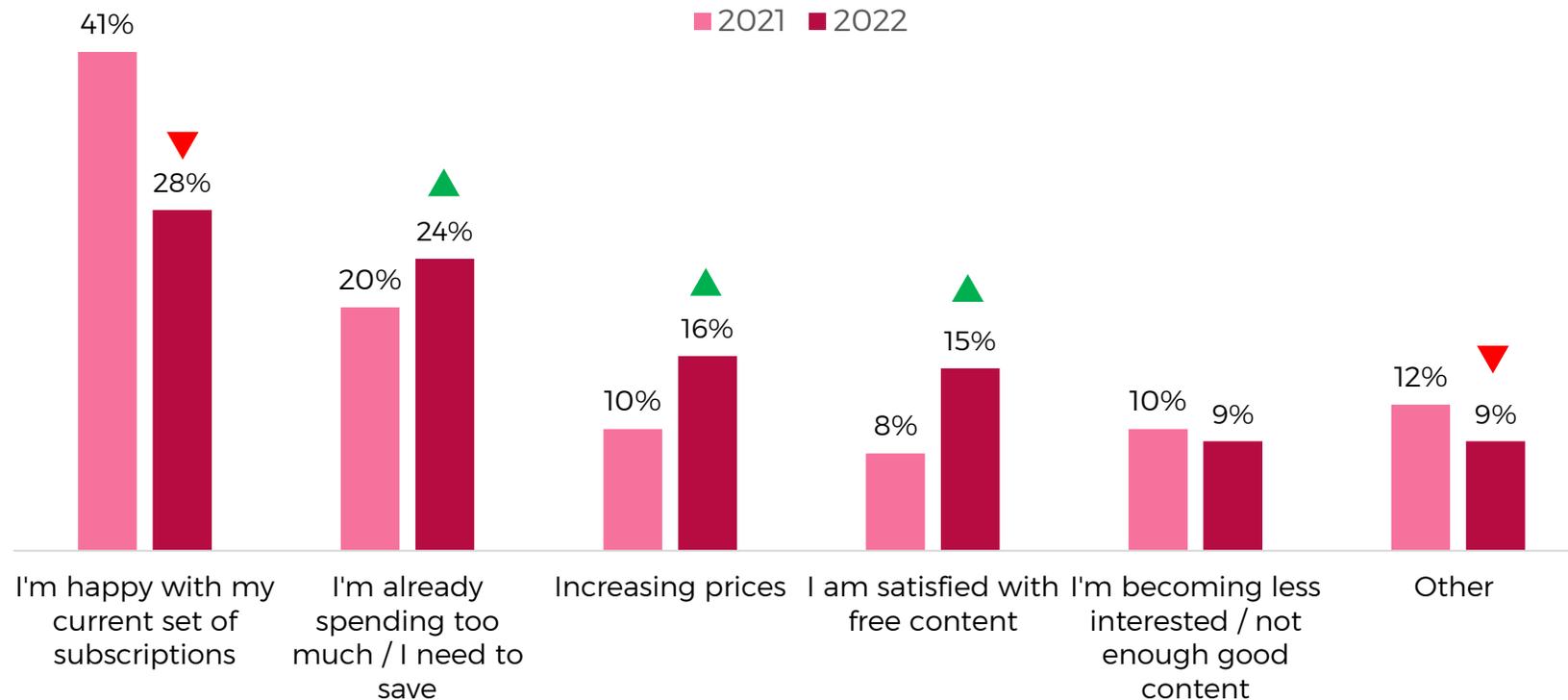
Your monthly Sport and Entertainment spend is approximately \$X. Is that more, less or the same than you would have anticipated?

Thinking about the next 3 months, do you intend to increase, keep the same, or decrease this monthly amount?

Base: Currently have a paid subscription (n=757)

Significantly less consumers are happy with their current set of services, with price pressures influencing decision making

SPENDING HABITS | WHY AUSTRALIANS ARE NOT INCREASING THEIR SPEND ON SUBSCRIPTION SERVICES



KEY INSIGHTS



- As our behaviours returns to normal post COVID, significantly less people are happy with their current set of subscriptions
- Pricing pressures are becoming more apparent, with quality of free content becoming another challenger to the subscription model

Why are you planning to reduce or keep you spend consistent?
N=900
Excludes don't know

  SIGNIFICANT INCREASE / DECREASE AT 95% CONFIDENCE

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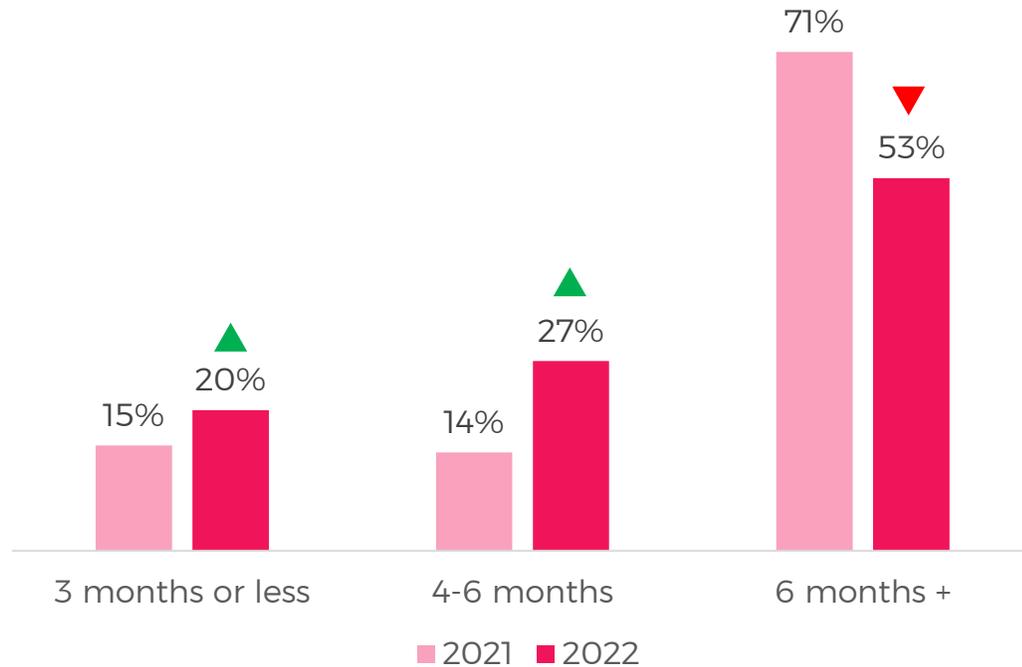
SUBSCRIBER
RETENTION



Australians are becoming less likely to stay subscribed to a service long term – cost pressures are increasingly becoming an issue

SUBSCRIBER RETENTION | LENGTH OF SUBSCRIPTION

TYPICAL LENGTH OF SUBSCRIPTION



REASONS FOR LEAVING A SERVICE WITHIN 6 MONTHS

- 1 It costs too much – 61% (+9 YoY)
- 2 There is a lack of content – 26% (-4 YoY)
- 3 I only subscribed to watch a specific event, show or sport – 23% (-18 YoY)

Q. Some people will turn on access for a given service for a certain number of months in a year. For instance, they might subscribe to Netflix for 6 months and Stan for 4 months. Thinking about your own subscription behaviour for the sport and entertainment content services that you pay for, how many months – out of 12 – would you on average subscribe to each platform?

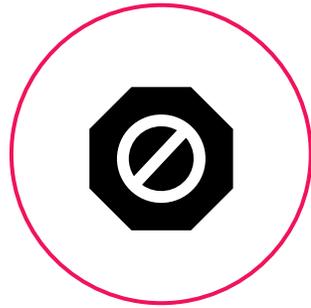
What are the main reasons you switch your sport and entertainment content services on and off?

Base n=726

  SIGNIFICANT INCREASE / DECREASE AT 95% CONFIDENCE

In 2022, there has been a significant reduction in the proportion of consumers who 'Set and Forget'

SUBSCRIBER RETENTION CONSUMER SEGMENTS

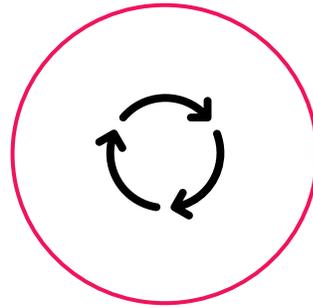


Non-subscribers

18% of the market

(+3 YoY)

- 70% of this audience is 50+
- Lower levels of passion for TV, movies and sport

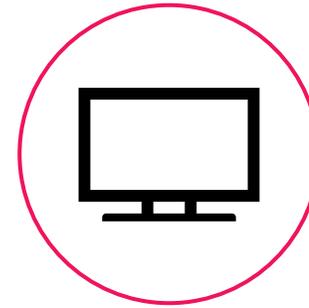


Churn and burn

20% of the market

(+5 YoY) ▲

- Average spend: \$48 (-2)
- Average no. of subs: 4
- Churn is significantly higher among women

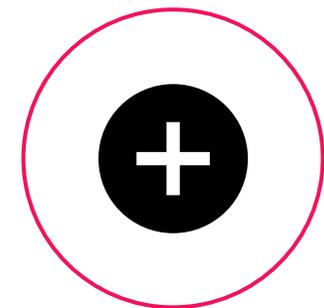


Set and forget

53% of the market

(-18 YoY) ▼

- Average spend: \$61.80 (+20)
- Average no. of subs: 4.6 (+1.3)
- Male audience is more likely to set and forget



Give me more

8% of the market

(+1 YoY)

- Average spend: \$102.70 (+\$16)
- Average no. of subs: 8.0 (+1.2)
- 62% of this segment is aged 25 to 44

▲ ▼ SIGNIFICANT INCREASE / DECREASE AT 95% CONFIDENCE

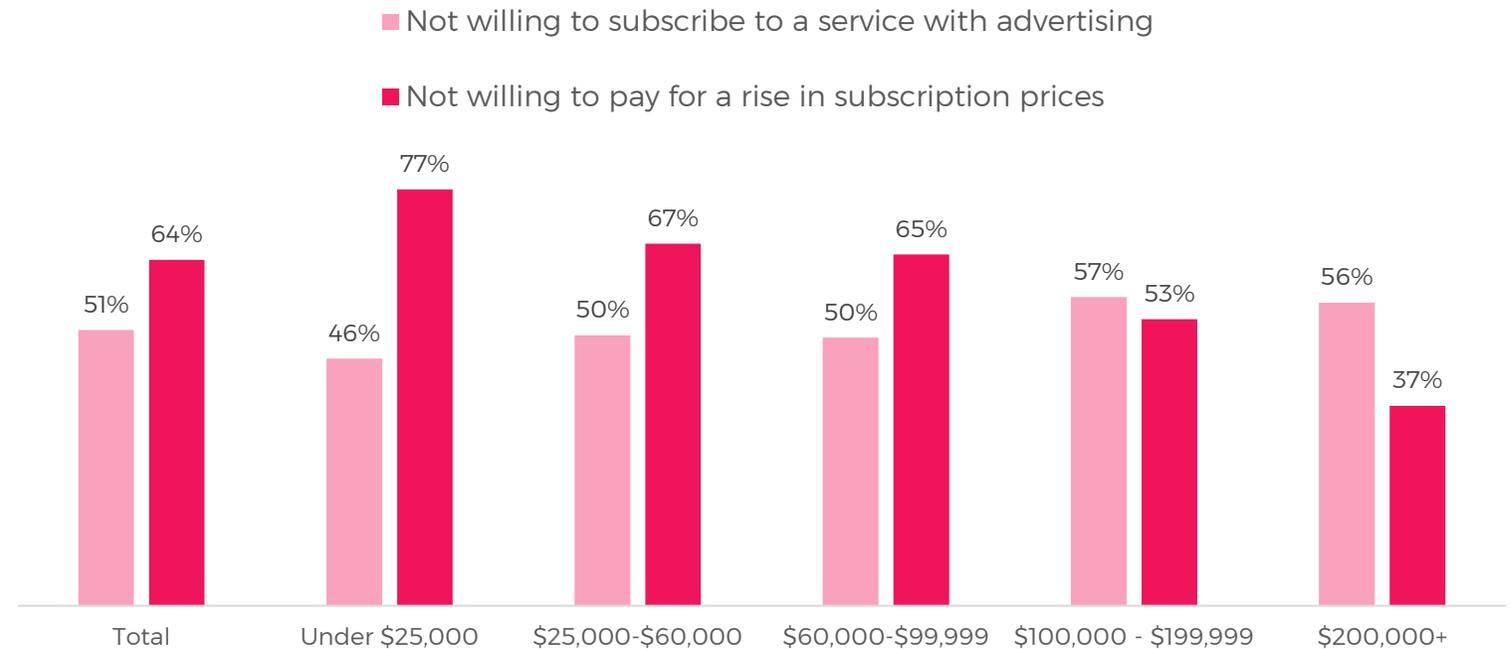
AVOD is set to capitalise on the fact that consumers motivation to save money is greater than their aversion to in-service advertising

SUBSCRIBER RETENTION | THE EMERGENCE OF ADVERTISING-BASED VIDEO ON DEMAND

WHAT IS AVOD AND WHY IS IT IMPORTANT?

- Advertising-Based Video on Demand
- Given that audiences are finite, the ability to generate revenue from new customer acquisition is limited
- To remain viable streaming services either need to increase per month subscription prices or generate revenue advertising
- AVOD can reduce the subscription cost, with the trade-off of ads within the service

THE RELATIONSHIP BETWEEN ADS AND INCREASED PRICES BY INCOME



Q. We are going to ask you a few questions about ads being incorporated into streaming services. Please rate how strongly you agree or disagree with the statement : Somewhat agree + Strongly agree
Base n=974

Gemba specialises in delivering insights that can inform how broadcaster and brands maximise the value of streaming services

GEMBA'S CORE SERVICE OFFER FOR RIGHTS HOLDERS, BRANDS AND BROADCASTERS

Sport and Entertainment Fan Insights

Understanding how Australians participate and engage in sport & entertainment

Broadcast and OTT Strategy

Market sizing, valuation, go-to-market and negotiation strategy for sports broadcast rights (traditional and direct to consumer)

Fan Data Services

Customer data strategy, data management, data-driven digital marketing and commercialisation

Broadcast and Sponsorship Effectiveness

Measurement of broadcast and sponsorship effectiveness for rightsholders

MELBOURNE OFFICE
1/175 Sturt Street
Southbank VIC 3006
T +61 3 9526 5700

SYDNEY OFFICE
Level 3, 4-14 Foster Street
Surry Hills NSW 2010
T +61 2 8020 6550

LONDON OFFICE
Chancery Lane: Fox Court
14 Gray's Inn Road
London WC1X, 8HN, UK
T +44 (0)7 848 104 130

 info@thegembagroup.com

 www.thegembagroup.com/insights

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