



2021 Predictions

applicaster



2021 PREDICTIONS

2020 was a year of record highs and record lows in entertainment. McKinsey data showed that we “vaulted five years forward in consumer and business digital adoption in a matter of around eight weeks” in the early days of the Covid-19 lockdowns, and content streaming — along with Zoom calls and telemedicine — catapulted forward creating new users and super-users.

Now, we dial our crystal ball to 2021, with 11 predictions about the state of premium video streaming (we’ll refer to it all as OTT for shorthand, and use CTV to refer specifically to TV streaming) as we enter our 2nd year of the pandemic.

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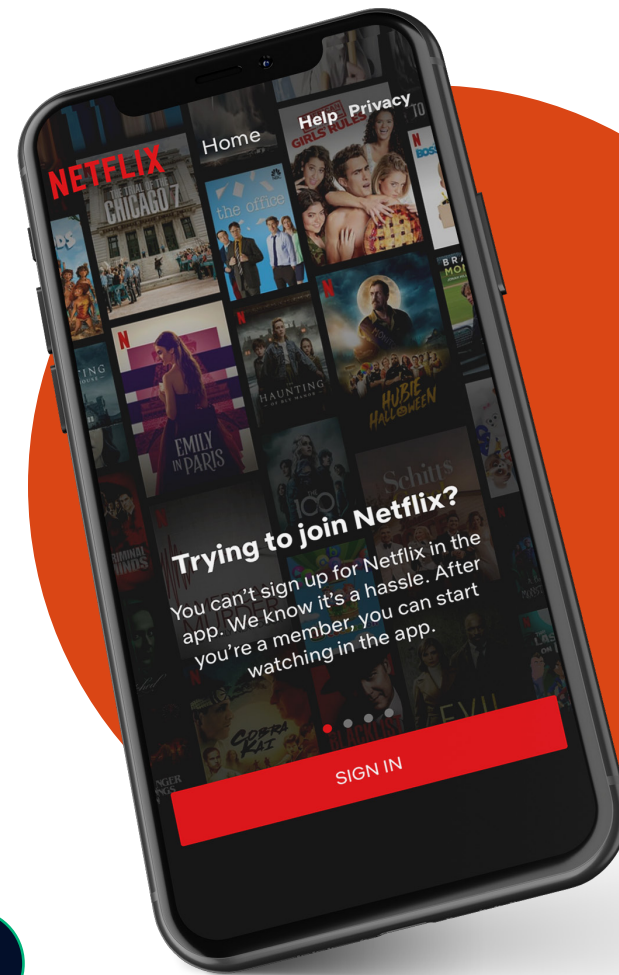
1

Media brands will challenge the app stores' 30% share of in-app purchases

It's not just Fortnite/Epic Games challenging the revenue share models of the Apple and Google App Stores. Media brands are waging their own quiet protests, and some have removed the ability to sign-up or change pricing tiers within their apps.

Netflix tells viewers they can't purchase inside the iPhone app (without directly stating this needs to be done via their website as this would be a violation of app store guidelines). And Disney+ created a confusing TV app user experience for subscribers who wanted to tier-up to access the live-action Mulan film (which could only be done via their website).

With people spending 23% more time watching subscription OTT video (eMarketer April 2020), and digital entertainment ranking as the 2nd most accelerated digital adoption channel (McKinsey), it's no wonder that SVOD services don't want to pass along 30% of this increased growth to the app stores! 2021 will see more SVOD services removing in-app payment from their apps and relying on other elements of their media and marketing mix to facilitate user transactions.



2

In-app advertising will grow faster than SVOD

Consumers are turning to ad-supported apps to find new content without busting their entertainment budgets. It's now widely accepted that watching ads pays for premium content, and viewers understand (vs. resent) their presence. Vizio reported AVOD streaming up +174%, and Freewheel shared that streaming ad views rose +42% in the first half of 2020 ([Alan Wolk](#)).

While national TV advertising plummeted 28% in Q2 2020 (MoffettNathanson) and fell another 6% in Q3 ([Mediapost](#)), AVOD is expected to surge +25% on CTV alone by the end of 2020 (eMarketer). The creation of new inventory tends to lower CPMs, and as consumers' financial uncertainty won't abate anytime soon, we will see an acceleration of AVOD in 2021. AVOD apps will win and retain new users, new AVOD-only apps will launch, and many subscription apps will adapt to include an AVOD option to allow viewers to self-select into financial terms that meet their needs and appetite for spending.

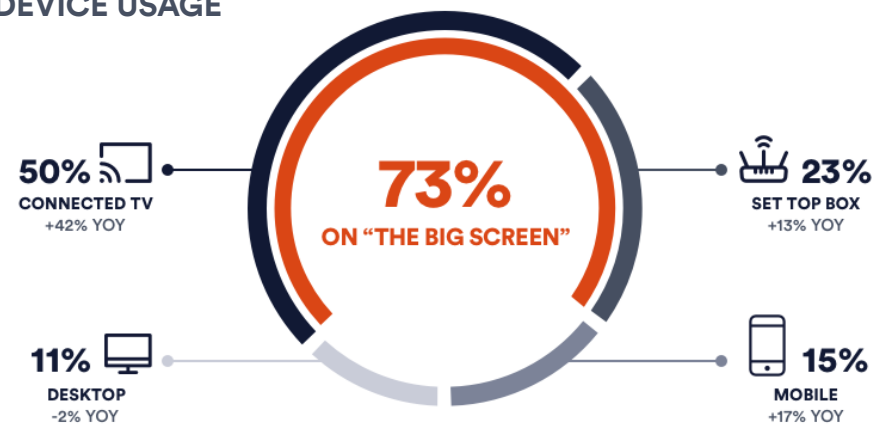
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TVs will be the go-to device, mobile viewing will see a double-digit drop

CTV and box/stick streaming have been growing in popularity as the [devices have improved their feature sets](#) and user experience in recent years. Now, with people continuing to work from home, and a new trend of parents adjusting their hours to support their children's online distance learning, people are turning to the big screen in the living room to binge on Netflix. Coincidentally, alcohol sales are up too.

If the pandemic keeps people home for 2021 as anticipated, mobile OTT viewing will likely drop an additional 10-20% as viewers continue to turn to CTVs as the device of choice for episodic content. This isn't to say people won't be watching video on mobile; mobile streams will instead be driven by "clip" video on YouTube and social networks.

AD VIEWS AS PROXY FOR DEVICE USAGE



Source: Freewheel US Video Marketplace Report 2020

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Increasing churn will force media companies to derive new ways to retain viewers

There are five key factors that will result in increased churn in 2021:

1. 2020 saw multiple new streaming services enter the market

including HBO Max and Peacock (note, Disney+ and AppleTV+ officially launched at the tail end of 2019).

2. Established players like Netflix, Hulu, Amazon Prime, CBS All Access and Starz added thousands of hours to their offering to lure viewers.
3. Viewer attention and budget are limited, and viewer loyalty tends to be tied to specific programming vs. the streamers that make them available.
4. Free trial offers have been compelling and easy to access as media brands “land grab” for audiences. We’ve already seen 25% of viewers say they’ve churned before a free trial ends ([Tubi/OnePoll](#)), and trial-hopping has become a sport for many people!
5. Subscription to premium services can be as short as one month for Amazon Prime users with no switching costs.

Brands will need to create new strategies to earn new subscribers and keep them, and we will likely see more platforms offering a free or a very low-cost AVOD option as a result. Or, they may drop the free trial altogether, as Disney+ did ahead of the Hamilton launch, and Netflix has trialed in certain territories (India). Perhaps we’ll see paid trials evolve into a pay-as-you-go model and the rise of the one-week subscription. We will also see a rise in gifting subscriptions (which have quietly been available for years), which will help retain viewers for SVOD services by having someone else foot the bill!



5

Cord-cutting cannot be denied, resources tip to OTT-first

Nearly 50 million US households use OTT apps daily, streaming nearly 300 million hours each day ([Comscore State of OTT 2020](#)). Roku's [Cord-Cutting in Uncertain Times Study](#) shows that 57% of households have cut, shaved, or never had traditional pay TV. This number is still overshadowed by the 77.6M "corded" US households still paying for TV. But, pay TV subscribers had their biggest drop yet (-7.5% in 2020). Many viewers canceled services when live sports were put on hold, and few renewed when sports returned.

eMarketer predicts that fewer than half of US households will subscribe to a pay-TV service by the end of 2024 ([eMarketer September 2020](#)). Considering that HBO Max and Disney+ added 90 million subscribers, and legacy streamer Netflix added 2.2M in Q3 alone, the scales may be tipping even more quickly. Disney reorganized its business to be streaming-first, and other media brands will follow suit.

6

Corona's silver lining drives new verticals to OTT

Our industry is expanding. Sports leagues and teams, fitness and wellness, live music and faith are now streaming experiences to the living room. In 2021, we'll see some (if not all) of these genres evolve into verticals of their own. Covid-19 lockdowns will accelerate the move for the in-person "events" (concerts, religious services, workouts), and at the same time, teams- and people-as-brands are just getting savvier in retaining their own content and streaming rights.



This would be an amazing opportunity for startup Class Pass and other live-experience aggregators to offer a one-time subscription to sample video experiences from many providers. Groupon are you listening?

7

Apps will become a network of cloud-based providers

Content-owners are turning to cloud-based providers for increased agility and the now crucial ability to make changes from any location at any time. Apps have steadily become studded with multiple partner integrations in order to deliver the functions and measurements needed by the business. And it's accepted that these will change over time. Media executives don't necessarily know what the coming year will bring and will approach their apps as a form of cloud glue to enable the flexibility they'll require.

Making a successful transition to the cloud requires operational and philosophical shifts, from developing a strong DevOps team to a different approach to data based to improve your system over time. The DPP trade organization sums this up nicely in their (gated) *Design For Tomorrow* series: "The cloud is no longer a future ideal... it's a reality... Planning is important, but there's no substitute for experience. Get started quickly, and expect plans to evolve. Choose one end-to-end workflow that could benefit from the cloud and migrate it. Once you have seen success, expand to other workflows and business areas" to deliver on the promise of "scalability, resilience, and performance, to give you greater business agility."

8

Trust and transparency will improve vendor performance

Viewer churn is steadily increasing, making it harder for content owners to forecast their usage. This and other market changes will require OTT brands to become increasingly more flexible, agile, and ready for change (even if they don't know what that change will be).

Media brands should share their hard and soft KPIs to inspire and empower their vendors to deliver the most value against their specific needs and create scenarios where both parties navigate the ebb and flow of usage together. This will require trust and transparency on both sides, and vendors may need to get more flexible in creating relevant pricing models. We predict that vendors will need to approach achieving client needs in partnership with the other vendors with which they interoperate.

In 2021 a "trusted relationship" between client and vendor, and vendor-to-vendor integrations will become a selection criterion for media owners.

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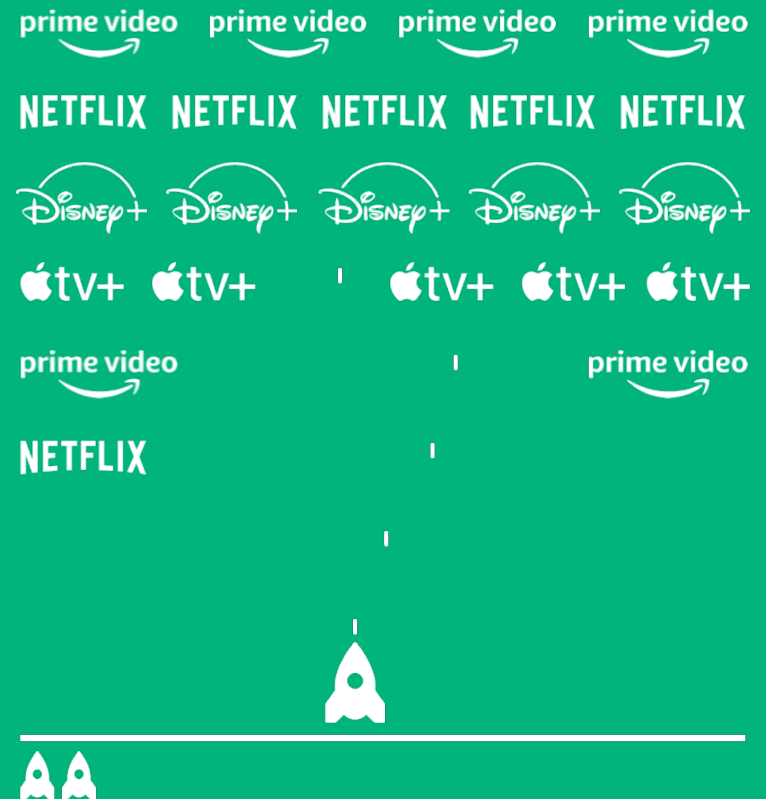
Audio will make the leap to CTV and grow

Did you know Spotify and Pandora are top 10 apps on CTV (Comscore State of OTT)? Audio has always been a hit that transcends traditional platforms, from “watching” Music Choice on cable to the extreme virality of music videos (Unruly Viral Video Chart). With recent advances in living room sound systems and Covid-19 investments in home entertainment, audio-first or radio/podcast prevalent CTV apps will be a sector to watch in 2021.

10

Disney+ will win the streaming wars for growth

Disney+ is projected to have over 72M users in the US alone by the end of 2020, growing 3x faster than AppleTV+ which launched at the same time. Disney+ and Netflix both added ~10M new subscribers in Q2 2020, and with a renewed focus on streaming-first, a proven track record of creative pricing, experimentation round its trial policies, and a vast empire of opportunities for continued bundles, we predict Disney+ will overtake Netflix in growth.



11

Roku will integrate its own content stack - and either acquire or be acquired

Rumors of a Google acquisition of Roku bumped Roku's stock price [up 12%](#) in the summer of 2020. Analysts liken Roku to a younger Netflix, on the cusp of international growth, but with a stake in the ground around the number of streaming networks that it carries and ads on its platforms. But, unlike the other major streaming platforms, Roku has not entered the content creation space. We predict this will change in 2021, and Roku will enjoy the value of end-to-end content creation and distribution, either by making its own content or serving as the gateway to the living room for an owned media brand.

Did you catch the 3 most important OTT trends in 2020?

DOWNLOAD THE TRENDS

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