Analysis of the Factors Influencing Streaming Video Services' Business Performance

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Abstract: People are not satisfied with the limited programs available on cable TV, and with the popularity of the internet and the common use of electronic devices, as well as the constant technological innovations of video companies, people can now watch any performance they want in their homes in very high definition. The video streaming industry is one of the hottest and most profitable industries today. But it's not yet clear when the big video service media players gained their strong leading position in the market and how they divide up the mainstream video service media market. Therefore, this paper examines the trends in the number of subscribers of video streaming platforms with more than 60 million subscribers over the seven years from 2017 to 2023. Through data visualization and data comparison, it is straightforward to see that in the three years starting in 2017, the number of subscribers grew rapidly, but starting in 2020, some established platforms started to stagnate as some emerging platforms entered the market and were full of potential. Then this paper analyzes the reasons behind the trends, like market saturation, the support of technology, users' demand, social background, and market opportunity.

1 INTRODUCTION

Video streaming service has revolutionized the TV market. One decade ago, people still needed to watch programs through cable TV, and radio, rent DVDs or go to the theater, and their choices were very limited. Nowadays, with the development of technology, streaming services area achieved great progress and become a hot industry. Also, with the improvements in people's living conditions, electronic devices are more easily available. People do not need to go to the theater or rent a TV disk to watch a TV performance. As long as people have an Internet connection and electronic devices, whenever and wherever people want, they just need to switch on their device and press the button and then can watch their favorite TV series, shows, and movies and any time, and space. Streaming services, or more exactly, over-the-top video services have greatly facilitated people's lives. over-the-top video services is also called OTT video services, meaning access via the Internet or networks which is independent of those dedicated to the transmission of programs like cable or radio (Radio-television and Commission 2011).

OTT services have become an integral part of people's lives. Statistical data show, that until 2023, OTT video services have an enormous market, having more than 3.5 billion global users and continuously increasing (Stoll 2023). Even in some countries, like Canada and the United Kingdom, video streaming service's penetration rate is 90 percent in terms of population (Keenan 2023). Also, the global video streaming market was valued at \$455.45 billion in 2022 and \$554.33 billion in 2023. Based on prediction, the number will be increased to \$1,902.68 billion by 2030 (Software 2023). So, the video streaming area is a profitable field and keeps increasing. Thus, the streaming services industry is becoming increasingly competitive. To retain and even gain more users, streaming service providers do their best to be more competitive and unique and stand out from the competition to satisfy users' demands such as higher video quality, more available programs, and more customizable content.

In this article, several comparisons and contrast of the business performance of 7 major platforms will be done by data visualizing the last 7 years' subscriber data to analyze the impact of some macro-environment factors in the video streaming industry, as well as the impact of micro-events on different streaming platforms.

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2 METHOD

While many video platforms have a free trial period, it if attractive enough then many users will convert to subscribers. Most of the video streaming service so far is paid service and have gained profit from it, so the number of subscribers indicates the overall business performance, customer loyalty, and even brand influence of the platform.

The study focuses on current global major video streaming platforms that have more than 60 million subscribers (Netflix, Amazon Prime Video, Disney Plus, Paramount+, Max and Discovery, Tencent Video, and Iqiyi). The paper wants to know the number changes of subscribers of these platforms over the last seven years from 2017 to 2023. The study visualizes the data by making line graphs of it. It clearly shows the general and gradual trend in the number of subscribers over time, as well as a change in the growth rate. Also, the comparison is made by visualizing different platforms' data in a single chart. To reflect the impact of the emergence of new platforms on the market as well as their change in market share, this paper has also done a market share pie chart comparison.

3 RESULTS AND DISCUSSION

3.1 Result

In Figure 1, all the data are collected from the platform company official quarterly financial report that shows global platform subscribers. The chart clearly shows that between 2017 and 2020, there were only a few video streaming platforms that existed in the early market such as Netflix, Tencent Video, and Iqiyi, the number of subscribers grew very rapidly year by year, but the increase slowed down and even tends to decline between 2020 and 2023, but there is still a huge base of user numbers. During this time, many emerging video streaming providers which are growing extremely rapidly such as Disney Plus, Paramount+, Max, and Discovery have entered the market.

Data in Fig. 2 is collected on the change in the number of Amazon Prime users in the United States over seven years from 2017 to 2023. Since U.S. Amazon Prime users make up 74% of the total number of users worldwide, it is very representative to study the change in the number of U.S. users (Woodward 2023). It can be seen from Figure2 that Amazon Prime Video (Woodward 2023), as a streaming platform that entered the market early and has been in the market for a long time, also developed beamingly between 2017 and 2020, but slowed down in the latter three years.

The comparison between Figure 3 and Figure 4 is remarkable (Yujin 2020 & Susic, 2023). It is clear to see that in the earlier years, Netflix and Amazon Prime were the major holders of the market but with the entry of newer platforms into the market, they are not what they used to be and the market has become more diverse.

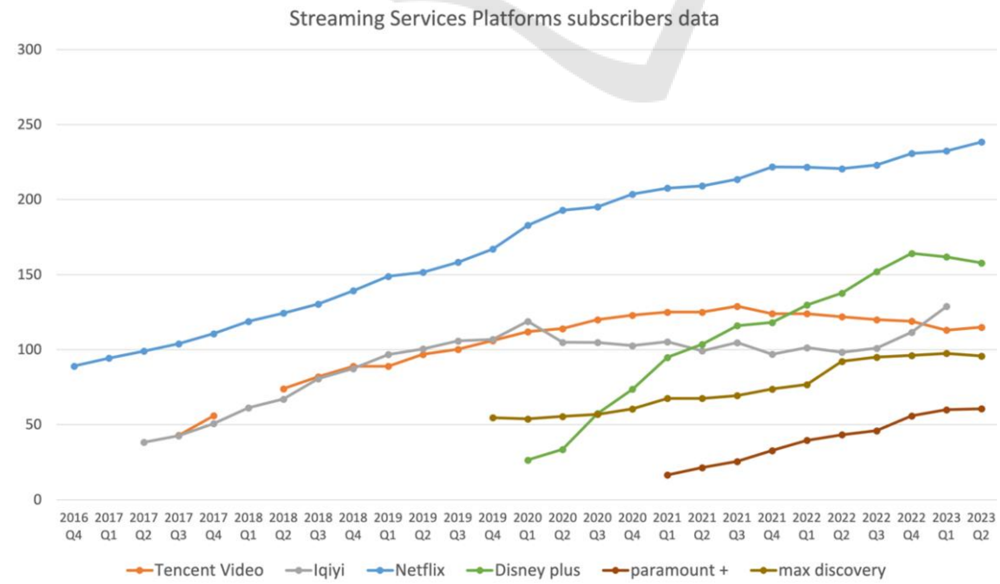

Figure 1: Line chart showing the timely change of subscribers numbers of 6 major platforms in millions.

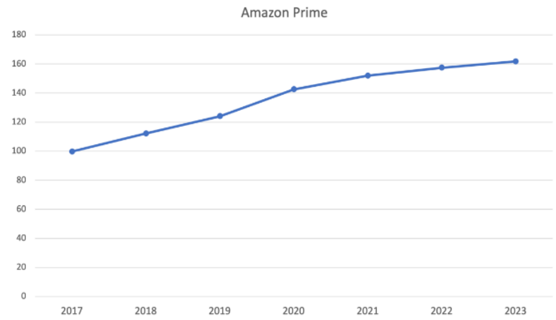

Figure 2: Line chart showing the timely change of Amazon Prime subscribers numbers in the US in millions.

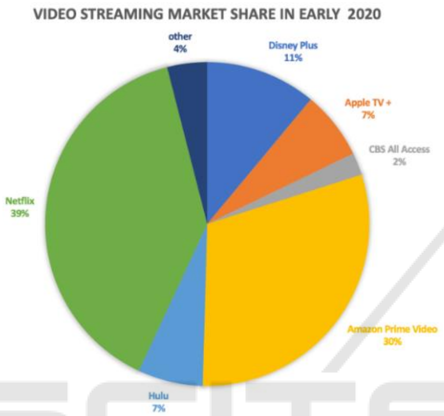

Figure 3: Pie chart showing major streaming platforms and their proportion in the market share before pandemic.

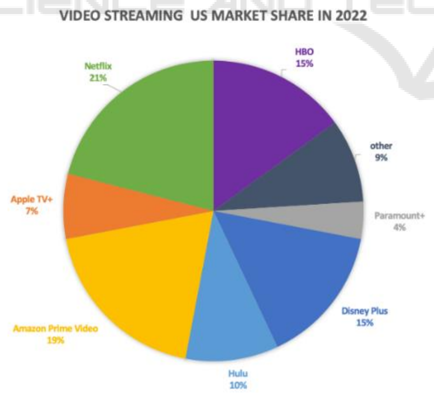

Figure 4: Pie chart showing major streaming platforms and their proportion in US market share after the pandemic.

3.2 Discussion

The main factors for the changes in the market for streaming service platforms are based on different technological environments, social environments, and competitive environments.

In 2017, cable TV was expensive and had only fixed channels with more commercials, and people were starting to get bored with it. It is undeniable that platforms such as Netflix, Amazon, and others have brought the new service of streaming to the forefront of people's minds. They changed the way people watch TV shows. People did not need to watch advertisements and wait, and there were tons of programs and movies in the playlist. Thus many families transfer their cable subscriptions to streaming services (Blomeley 2021).

After making people aware of video streaming services, different platforms have chosen different strategies. For example, Tencent TV and Iqiyi are the local Chinese video providers who have focused on the features of China's large population base. So, they created unprecedented talent shows, like Idol producer and Producer 101, to appeal to the local Chinese audience. Based on data, producer 101 received more than 4.3 billion views in total, which shows a huge success (Jing 2018). While Netflix chose a very different strategy for expanding the market. It began to open overseas and international markets. It works with local companies to provide content that is more tailored to the preferences of local people, adds more languages, optimizes its content library, and works with device manufacturers and Internet service providers to provide a better user experience (Barros 2022).

However, the development of platforms cannot succeed without the development of technology. As mentioned above, OTT services, including video streaming services, rely heavily on the open Internet to deliver content to end users. As broadband networks continue to evolve, more video content that needs larger volumes can be presented to users (Lee et al 2021). Platforms are also constantly improving their technology to enhance the user experience. For example, they are improving the delivery chain technology, which allows users to watch higher-quality videos by improving the shooting, pipeline transmission, and high-resolution display (Rehman 2019). Between 2017 and 2020, streaming media is still in a period of growth.

As shown in Fig. 3 above, only several streaming platforms are dividing up the entire video streaming market, so each platform is very profitable, with a huge and continually soaring number of subscribers.

In the chart, in 2020 many established streaming leaders will start to stagnate, but at the same time, many new platforms will join the market. At the beginning of 2020, the sudden onset of the epidemic swept across the globe, with many countries beginning to lockdown and people had to stay at home. Offline entertainment venues are all closed, traditional movie theaters can't meet the demand for entertainment. Watching online video programs has become one of the few recreation people can do. In the UK, adults spend 40% of their waking hours in front of a screen during lockdown (Ahead 2023). Many movie and video companies seized this opportunity. They released their streaming platform. Major media companies such as Paramount, HBO, and Discovery, for example, have developed their own streaming video services. The streaming wars (a term used to describe the intense business practices in the streaming service market) are beginning to be fought. Companies engage in a variety of behaviors to make themselves profitable. Fig.1 shows that Paramount+, Max & discovery, and Disney Plus are the more dominant platforms in the streaming wars. This is inextricably linked to their original content. Companies that have been established in television for decades have enough content to air on their platforms. Paramount owns Nickelodeon's content, and HBO Max owns dozens of shows and movies from Warner Bros. and Studio Ghibli (Blomeley 2021). For example, Disney retrieved all Marvel-related content and all animations from Netflix (Yujin 2020). But Netflix is also trying to maintain its strong position in the streaming market by creating blockbuster franchises like Star Wars (Blomeley 2021). Many brands have also chosen to work on their prices, either lowering prices to keep themselves competitive or raising prices to make themselves more profitable per user. Netflix's early success through the integration of content from different media channels, in the context of the streaming media war, Netflix's advantage is no longer obvious, need to find another way out (Blomeley 2021).

But streaming companies need to make trade-offs to maximize their profit. For example, to attract more subscribers, Netflix started producing original content. The squid game brought 4.38 million new subscribers to Netflix (ÇEKEBİLİR 2021). But at the same time, Netflix spent 21.4million to produce this opera (Clark 2021). Apple TV+ costs 6 billion to produce high-quality content (Leswing 2019). The original series was undoubtedly an attraction to users, but companies still have to make a prediction and trade-offs between the investment and the return. And companies also need to make a good trade-off between subscription price increases and the profit they can achieve. According to the survey, it was found that 49% of users would cancel their video streaming subscription if the price went up (Susic 2023). If the price increase leads to higher profits per subscriber, but results in the loss of a large number of subscribers, it will be a lose-lose situation.

4 CONCLUSION

A visualization of the subscriber's data shows that the streaming industry boomed in the early years because of technological advances or because people were tired of the limitation of cable TV. At the beginning of 2020, with the impact of the pandemic, the video streaming service market reached its peak, and many companies entered the industry and started competing. These companies demonstrated the uniqueness of the brand by taking back its movie rights, creating original content, or offering customized services, making each platform inimitable. Some movie studio companies seem to have a better edge on the competition than Netflix, and Amazon Prime Video which are more like a movie program library. Thus, these previous streaming leaders should find their ways to reinforce their position.

However, it's easy to see through the charts that while the number of subscribers to some of the older streaming platforms has been declining in recent years, the overall market, that is, the sum of subscribers to all of the platforms, has been increasing - that is, the market as a whole has been continuing to steadily thrive. While brands continue to innovate and increase their uniqueness, the industry continues to progress, providing users with services that make them more satisfied.

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