

Flood of streaming-video options could confound TV watchers

April 12 2012, By Mike Snider and Roger Yu

Streaming video is about to hit its tipping point. Competing online video services have become so successful that about one-third of Americans have streamed a movie or TV show on Netflix, Hulu, Vudu, Crackle or another Net-based video service, according to Nielsen.

Americans will watch 3.4 billion movies online this year, more than doubling 2011's total and exceeding DVD and Blu-ray consumption for the first time, estimates researcher IHS Screen Digest.

"We are looking at the beginning of the end of the age of movies" on discs, said IHS senior principal analyst Dan Cryan.

Another sign of streaming's success is that entrenched pay-TV providers, such as Comcast, are creating their own similar services in an effort to keep subscribers.

That has resulted in a battle royal as traditional and upstart video services alike attempt to trump each other in hopes of swiping and keeping customers. With hardware makers and even large retailers such as Wal-Mart also drooling for a piece of the programming pie, "It is confusing the hell out of people," said Phil Swann, editor of TVPredictions.com.

Like it or not, TV lovers such as Larry R. Haynes are caught in a tug of war over the future of television. Haynes and his wife, Jennifer, subscribe to Comcast for Internet and TV, but they have trimmed their bill by canceling Showtime, while keeping HBO. And like many others,

they have turned to Netflix for additional viewing options.

Streaming services "just do not have the selection like the [cable companies](#) do yet," said the 32-year-old Grand Rapids, Mich., engineer. "So I am not about to cancel my [cable service](#) ... like I hear a lot of people are doing."

He has also experimented with Comcast's smartphone app, which lets him watch streamed TV shows and movies. "It's about time they started trying to retain their current customers," he said.

That is music to the ears of cable companies as well as [satellite services DirecTV](#) and [Dish Network](#) and fiber-based networks Verizon FiOS and AT&T U-verse.

During the depths of the economic downturn, more than 2.65 million subscribers - mostly cable subscribers - dropped their pay-TV service entirely in favor of streaming video options, according to The Convergence Consulting Group.

But satellite and broadband companies actually saw increases in subscribers.

And now that cable companies are fighting back with their own free and paid on-demand options, the rate at which subscribers are dropping cable may be starting to slow.

Consumers increasingly will find themselves wading through multiple device options and payment plans for streaming services. "It's going to be a bit complicated for a while," said Maryann Baldwin of Magid Media Futures.

Netflix has been the key catalyst in the surge of streaming. The movie-

rental superpower has grown its streaming service into a programming channel used by nearly 22 million of its 24.4 million subscribers.

Along with [Hulu](#), Vudu and Crackle, Amazon's Prime - which began as a two-day shipping service - has also become a formidable Netflix competitor. Prime costs \$79 a year to join and allows free streaming of about 17,000 video titles, said Bill Carr, Amazon's vice president of videos and music.

The all-you-can-stream subscription model helped win skeptical customers. The number of people who subscribe to an online streaming service grew 74 percent in 2011, IHS says.

"If you buy a movie, you sit through it even if it's rubbish," Cryan said. "With streaming, people just start a new" movie.

Even some content providers, such as HBO and a consortium of movie studios - via the cloud-based UltraViolet locker system - are developing their own delivery software.

Competition has been a boon for customers looking for the cheapest way to watch new films, such as "Moneyball," or more obscure and high-definition choices.

"Now anybody with good content can reach an audience," said Colin Dixon, analyst at The Diffusion Group.

So it's not surprising that much of the marketing fight is about who has the best content, now that studios have made licensing easier. "But with so many streaming companies eager to get their hands on content, the licenses for new and popular titles are becoming more expensive for all," Cryan said.

Netflix is hoping to stand out with originally produced shows. Last month, the service launched "Lilyhammer," a series featuring E Street Band member Steven Van Zandt. Also in the works is "House of Cards," starring Kevin Spacey. Netflix will also revive the Fox TV series "Arrested Development" next year.

"Eighteen months ago, Netflix said its strength is its breadth of library. (Others) now also have a lot of titles," said Dan Rayburn, an analyst at StreamingMedia.com. "Netflix changed their tune to say it's about exclusive content." But he's not sold on Netflix's original content plans, noting the high rate of churn among its subscribers. "Producing something like 'Mad Men' can cost \$100 million."

YouTube, which Nielsen says accounted for 45 percent of Americans' online video streaming time in the fourth quarter of 2011, has its own TV channels, too.

With the battle for consumers' eyeballs expanding to tablets and smartphones, pay-TV providers are making a stand.

TV watchers generally prefer to watch movies and TV shows from one interface, said Gerry Kaufhold, research director of digital entertainment at DisplaySearch/In-Stat. "The pay-TV services are all scrambling to come up with ways to put apps on tablets and smartphones so that they can provide that."

-Comcast. Its Xfinity Streampix service gives its video subscribers on-demand viewing of movies and TV shows on iPhones and iPads.

Customers streamed about 375 million times per month at the beginning of the year - up from 325 million a year ago - across all categories. "There is a huge amount of engagement," said Marcien Jenckes, Comcast Cable's senior vice president of video services.

-Cox Communications. Last May, it introduced Cox TV Online, which gives customers access to 10,000 videos for computers and laptops. It's already attracting 1 million views per month, said Steve Necessary, vice president of video strategy.

Cox also rolled out Cox TV Connect, an iPad app for more recent shows that can only be surfed at home by its customers. Released in December, the app is used by about 20 percent of Cox customers who own an iPad on a monthly basis.

-Dish Network. It upgraded its Blockbuster Movie Pass (\$10 per month in addition to a Dish subscription) by adding instant streaming of more than 100,000 movies, TV shows and games to TV and iPad.

-Verizon. The telecom giant is creating a streaming service with Redbox, the DVD and Blu-ray disc rental kiosk company.

Pay-TV companies will fight to keep their customers within their product systems, and the perception that hordes of customers will cut the cord and flock to online streaming options is still premature, said Wedbush Securities analyst Michael Pachter.

Traditional TV providers remain the favorites of Hollywood and content owners, he said, because "they all lose if everything moves a la carte via the Internet." Content owners and studios stand to make more from cable and satellite companies that already package channels and could easily add streaming features than from a model where subscribers paid for only the channels they wanted, he said.

To that end, Netflix CEO Reed Hastings has said that he is discussing with cable operators the bundling of its streaming service into pay-TV packages. "They would have to share some of the revenue with the cable operator, but that would make Netflix's content instantly available for a

cable subscriber," Kaufhold said. "There's no reason why that can't happen."

That type of the mash-up of traditional pay-TV offerings with Web app-based content, or hybrid TV service, will be in about 10 million U.S. homes by the end of 2012 and 35 million by 2016, In-Stat estimates. "The cable operators and the other pay-TV services are all moving in that direction," Kaufhold said.

In the interim, all the streaming services are cozying up to video game hardware makers. Last week, Sony's PlayStation 3 became the first video game console to provide access to Amazon.com's Instant [Video service](#), which has more than 120,000 movies and TV programs that you can buy or rent.

And Microsoft's Xbox 360 has added apps to make it easier for Verizon, Comcast and HBO subscribers to view content through Xbox Live. "They see a great opportunity to use our platform to better serve their customers," said Ross Honey, general manager of Xbox Live entertainment and advertising.

There also are so many dedicated streaming devices, such as Roku, Boxee and WD TV (by Western Digital), that some may not survive. "A couple of these guys are going to have a hard time standing alone," Rayburn said. With a dizzying set of options that are constantly evolving, consumers will likely flock to the providers that keep things simple to use, he said.

"If you know what you're doing, there are plenty of options. The problem is most consumers don't," he said. "There will be more fragmentation in two years. It's a nightmare."

ONLINE VIEWING OPTIONS:

The following is a list of some online viewing options available to customers who aren't affiliated with a pay-TV service. Cable and satellite companies have also introduced streaming programs for their customers. Delivery devices featured exclude computer, browser, TVs and Blu-ray DVD players. Some prices are approximate and vary based on individual title.

Netflix:

- Major delivery devices: Xbox, PS3, Wii, iOS app, Android app, Apple TV, WD TV Live and Roku.

- Unique offerings: Originally produced movies, including "Lilyhammer." Also has disc-by-mail program.

- Pricing: \$7.99 per month; extra charge for disc delivery by mail.

Vudu:

- Major delivery devices: Xbox, PS3, iOS app and WD TV Live

- Unique offerings: Owned by Wal-Mart, where users can convert DVDs to digital files for a fee. Files are kept in your Vudu account.

- Pricing: 99 cents to \$5.99 per TV show and movie rental.

Hulu Plus:

- Major delivery devices: Roku; TiVo; WD TV Live; iOS and Android apps; Xbox; PS3 and Wii

-Unique offerings: Hulu Plus has current-season TV shows and some originally produced series, including "A Day in the Life" by Morgan Spurlock and "Battleground."

-Pricing: \$7.99 per month

Amazon Instant Video & Prime Instant Video:

-Major delivery devices: Roku, PS3, TiVo

-Unique offerings: Amazon Instant sells current-season TV episodes. Amazon Prime includes two-day shipping for Amazon purchases.

-Pricing: \$2 to \$5 per TV show and movie rental. Prime is \$79 per year for unlimited streaming.

Apple iTunes:

-Major delivery devices: Devices running iOS and Apple TV.

-Unique offerings: Sells current-season TV shows.

-Pricing: \$2 to \$5 per TV show and movie rental.

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