

Streaming wars heat up as rivals queue up to challenge Netflix

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Netflix has taken the lead in streaming to expand into 190 markets but is now facing some deep-pocketed rivals including Apple and Disney

Some of the biggest names in media and tech are gearing up to move into streaming, in what could be a major challenge to market leader Netflix.

Apple is expected to make its move with an announcement March 25 on

its media plans, with a war chest estimated at some \$1 billion and partners including stars like Jennifer Aniston and director J.J. Abrams involved in [content](#).

Walt Disney Co. has announced its new streaming service Disney+ will launch this year, as will another from WarnerMedia, the newly acquired media-entertainment division of AT&T.

The new entrants, with more expected, could launch a formidable challenge to Netflix, which has some 140 million paid subscribers in 190 markets, and to other services such as Amazon and Hulu.

"It's really going to change the industry," said Alan Wolk, co-founder of the consulting firm TVREV who follows the sector.

Wolk said he sees seven or eight powerful players in streaming which will lead to "huge competition for new shows and hit shows."

These rivals are coming into the segment which has been transformed by the spectacular growth of Netflix and a growing movement by consumers to on-demand television delivered over internet platforms.

In the US alone, an estimated six million consumers have dropped pay TV bundles since 2012, while on-demand services such as Netflix, Hulu and Amazon have been surging, according to Leichtman Research.

But just as Netflix has disrupted traditional "linear" television, rivals are now moving to disrupt Netflix.



Strong name recognition and sought-after content is likely to make Disney a formidable competitor in streaming television

Feeling pain

Netflix is likely to feel pain, not only from the new rivals, but also from the loss of content from the big libraries of Disney and Time Warner.

These Hollywood firms "have big libraries, so the cost of their content is much lower than it will be for Netflix, which has to pay for all its content," said Laura Martin, analyst with the research firm Needham & Co.

"Netflix will lose subscribers to these new entrants," Martin said.

AT&T's WarnerMedia will launch its service later this year that combines the content from its premium HBO channel (known for "Game of Thrones") and the vast Time Warner library of films and shows.

Disney's service will have its films and TV shows, along with the library it is acquiring from Rupert Murdoch's 21st Century Fox, a deal closing in the coming days. That includes the "Star Wars" and Marvel superhero franchises and ABC television content.

JP Morgan analyst Alexia Quadrani predicts Disney will eventually scale up to become as big as Netflix, or even bigger by signing up 45 million US subscribers and 115 million internationally.

Quadrani cited Disney's "unmatched brand recognition, extensive premium content, and unparalleled ecosystem to market the service."

The analyst said Disney benefits from its global ecosystem that develops good customer relationships from its theme parks, hotels, cruises, and [consumer products](#).



Jennifer Aniston is one of the Hollywood stars Apple is counting on as it prepares to launch its streaming video service

Wolk agreed that Disney "is in a good spot" because of its strong brand and content but predicted that consumers may be overwhelmed by the growing options.

"I think there will be a lot of churn," Wolk said. "People will subscribe to one service to watch one show, and then it becomes easy to cancel and take another."

No panic, yet

Some analysts say Netflix has no reason to panic—yet.

"Netflix has figured this business out, they know what consumers want," said Dan Rayburn, a streaming media analyst with Frost & Sullivan.

But Rayburn said that over time, rivals may be able to leverage their user base and infrastructure to eat away at Netflix's advantage.

"What does Netflix own? Nothing," Rayburn said.

"If you're Amazon or AT&T you can give this stuff away and be a loss leader, that's the big value."

Still, he said any company that wants to challenge Netflix needs to be "quick and nimble" and that it remains to be seen if the legacy players can do that.



The streaming service from AT&T's Warner Media will include programs from

HBO such as "Game Of Thrones," whose star Emilia Clarke is seen here

Richard Greenfield of BTIG Research also questioned the capability of the legacy entertainment firms to compete in the world of new media.

"We believe legacy media has missed their window to compete with Netflix (and other tech platforms) unless they are willing to truly go all-in," Greenfield said in a recent research note.

'Innovator's dilemma'

Greenfield said that means moving the focus away from the box office and getting better control of content.

"Disney is battling a classic innovator's dilemma that makes it hard for them to truly pivot to direct-to-consumer, not to mention, they and the rest of legacy media do not really appreciate how important technology is to success in direct-to-consumer streaming," Greenfield wrote.

Daniel Ives of Wedbush Securities said Apple could be the wild card, but that the iPhone maker might need to acquire a content provider like CBS or Sony Pictures to be a major player.

Apple "is definitely playing from behind the eight ball in this content arms race with Netflix, Amazon, Disney, Hulu, and AT&T/Time Warner all going after this next consumer frontier," Ives said in a note to clients.

"While acquisitions have not been in Apple's core DNA, the clock has struck midnight for Cupertino in our opinion and building content organically is a slow and arduous path, which highlights the clear need for Apple to do larger, strategic (deals)."

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