

## Promoting Competition and Innovation in the Evolving Video Sector

*Kristian Stout*

*Geoffrey A. Manne*

ICLE Issue Brief 2025-05-29

## I. Introduction

The way we enjoy our favorite shows and movies has changed dramatically from even five years ago. Streaming has expanded the amount of content available to American viewers and multiplies the ways to watch it. This has affected not just audiences, but also the marketplace, with large technology firms like Amazon, Apple, and Google and other new entrants now directly competing with traditional broadcast and cable networks and pay-TV distributors.

The economic advantages of streaming platforms initially presented compelling cost efficiencies, as they expanded available content while significantly reducing consumers' per-hour viewing expenses relative to traditional cable packages. But the proliferation of services, the dispersion of exclusive programming, and generally growing subscription costs have narrowed this value gap. These trends have also underscored the importance of new business-model experimentation, such as optional bundling, to maintain consumer satisfaction and mitigate subscription fatigue.

While the choices available to consumers have certainly grown, the many new players in the marketplace and the disaggregation of networks, brands, and content have made the viewing experience more complicated for audiences. In the past, cable and satellite bundles gave viewers an economically efficient and convenient way to receive virtually all television content. Today, audiences might subscribe to multiple services and still be unable to receive all or even most of the popular and niche programming they desire, including content to which they previously had access.

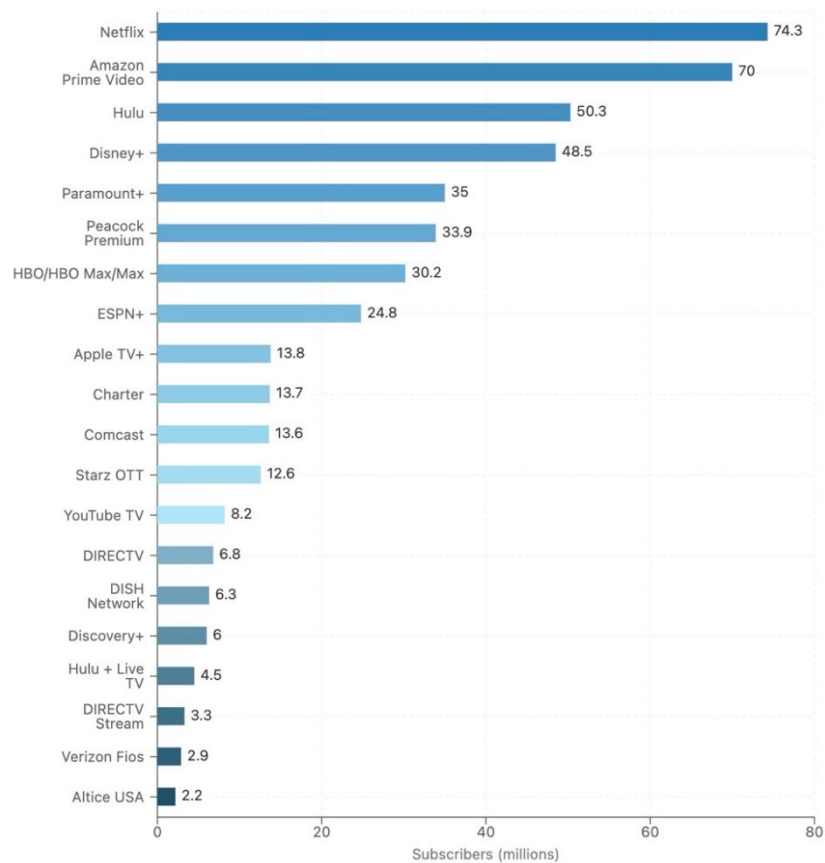
At the same time, the sheer number of shows and outlets, and the rise in cord cutting, means that many traditional content producers and distributors are garnering relatively smaller audiences. The result has been a drop in advertising and subscription revenue, precisely when these producers and distributors face increasing pressure to invest more in order to: 1) create or acquire rights to additional content to meet growing viewer demand; 2) build out their streaming operations; and 3) increase marketing expenses to reach fractured audiences and win back viewership.

In this environment, traditional media companies have begun exploring new business models to maintain their competitiveness, seeking to invest, innovate, and collaborate in novel ways to address the market's fragmentation. In applying regulatory, economic, and antitrust principles, policymakers should account for the increase in competition and the market's fragmentation. The rise in competition, including from the entry of large tech companies, should assuage past concerns that traditional media companies could misuse—or even possess—meaningful market power. At the same time, any regulatory response must account for the need for flexibility to experiment with different business models—such as bundling, joint ventures, and other combinations—in order for market participants to innovate and remain competitive.

## II. A New and Rapidly Changing Video Environment

The growth in video streaming and the entry of companies such as Netflix, Amazon, Google, and Apple has fundamentally altered the video market’s competitive landscape from the days when just a handful of networks and local cable companies were both the source of most popular content and responsible for its delivery. This evolution has led to a dramatic increase in competition and consumer welfare.

**FIGURE I: Number of Subscribers of Select Video Services (Q1'24, in Millions)**



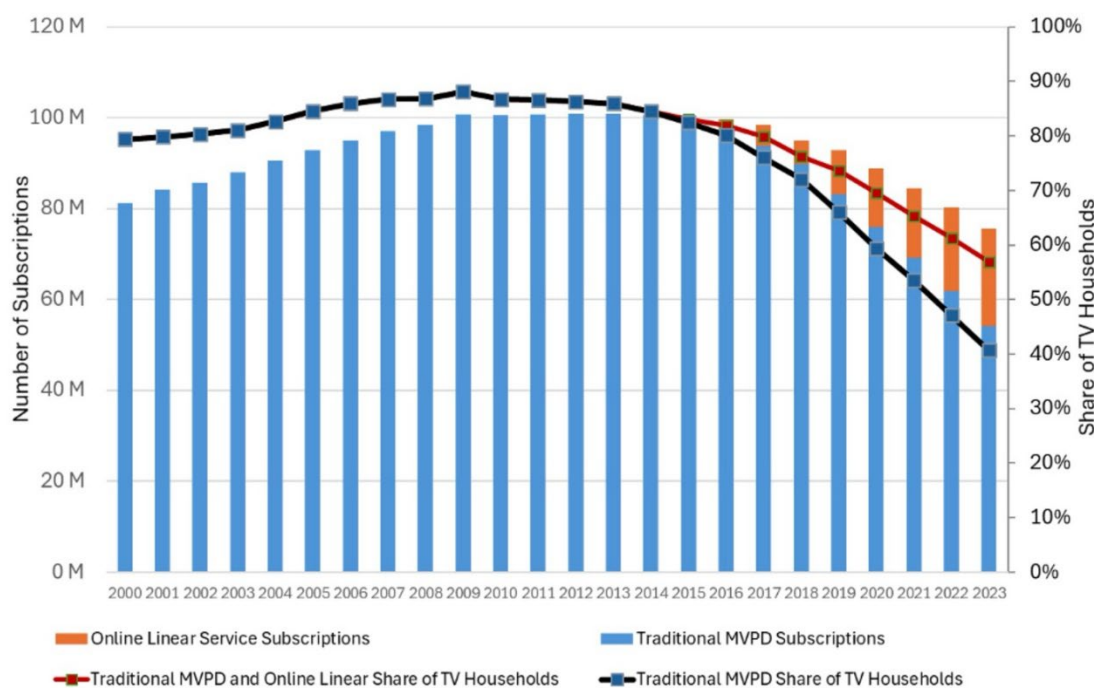
**SOURCES:** S&P Global Market Intelligence, StreamTV Insider<sup>1</sup>

<sup>1</sup> *Subscribers for Select US Video Subscription Services*, S&P Global Market Intelligence (Dec. 2024); Bevin Fletcher, *Amazon’s Prime Video Aims to Be One-Stop Video Entertainment Hub*, STREAMTV INSIDER (Mar. 6, 2024), <https://www.streamtvinsider.com/video/amazons-prime-video-aims-be-one-stop-video-entertainment-hub> (Amazon Prime Video counts reflect MoffettNathanson’s estimates of active U.S. subscriber base. Hulu counts include subscribers who have access through their Hulu +LiveTV subscription).

Between 2009 and 2023, the number of original scripted shows across cable, broadcast, and streaming grew by almost 150%.<sup>2</sup> As of 2024, approximately 25% of total TV viewership came from services that didn't exist a decade ago. This is before one even attempts to account for smartphone and other online viewership of content broadly available through YouTube, TikTok, Instagram, and other social-media services.<sup>3</sup> Only 45% of all TV viewing in 2024 came from cable and satellite services, and only about half of all TV viewing was on linear services (including online linear services).<sup>4</sup>

Netflix and Amazon now each have far more video subscribers than any other streaming service, including Hulu, Disney+, Paramount+, Peacock, and HBO Max. By 2026, YouTube TV is expected to surpass Charter and Comcast to become the largest linear pay-TV provider.<sup>5</sup>

**FIGURE 2: Traditional MVPD and Online Linear Video-Service Subscriptions**



**SOURCE:** S&P Kagan Global Forecast

<sup>2</sup> This includes the reduction in output from the 2023 Writers Guild of America strike; between 2009 and 2022, the increase was 300%. See Lesley Goldberg, *Peak TV Is Officially Over: FX Tallies 14 Percent Drop in Scripted Series for 2023*, HOLLYWOOD REPORTER. (Feb. 9, 2024), <https://www.hollywoodreporter.com/tv/tv-news/scripted-originals-fall-14-percent-2023-fx-tally-1235821248>.

<sup>3</sup> Nielsen, L+3, Total Day (6a-6a), Duration Weighted Delivery, Dual Feed Date Range: 01/01/2024-12/29/2024, 12/30/2013-12/28/2014, 2024 Share of Total TV Usage, 2014 Share of Linear TV Usage.

<sup>4</sup> *Id.*

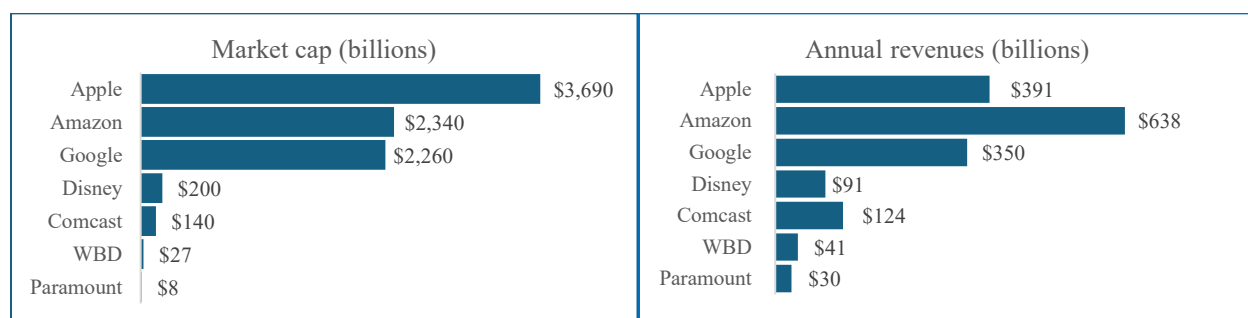
<sup>5</sup> See Jeremy Goldman, *YouTube TV Price Hike Follows Platform's Massive Living Room Growth*, EMARKETER (Dec. 12, 2024), <https://www.emarketer.com/content/youtube-tv-price-hike-follows-platform-s-massive-living-room-growth>.

As seen in Figure 2, with the rise of cord cutting, the percentage of U.S. television households subscribing to traditional MVPD services (which include cable, satellite, and telco-video services) dropped below 50% in 2022 and continues to shrink.<sup>6</sup>

Linear broadcast and cable-network programming that viewers historically accessed from cable, satellite, and telecom providers are now also available through multiple streaming platforms, such as Sling TV, DirecTV Stream, Hulu + Live TV, YouTube TV, and free, ad-supported streaming television (FAST) services like Tubi, Freevee, and Pluto TV. Television and film content is also available on-demand over various streaming services. In addition, mobile devices are increasingly the primary screen for video consumption, even inside the home.

As demonstrated in Figure 3, the traditional media companies are now much smaller than their newer competitors. Google, Amazon, and Apple each have a market cap of between six and 10 times the combined market caps of Disney, Comcast, Warner Bros. Discovery, and Paramount. In 2024, those big three tech platforms' respective annual revenues were each between one and 2.2 times the combined revenues of Disney, Comcast, Warner Bros. Discovery, and Paramount.

**FIGURE 3: Market Cap and Annual Revenue of Select Video Services (2024)**



**SOURCE:** Google Finance

The new tech competitors' business models make them particularly strong rivals in the media marketplace because they often supply their video services as loss-leaders for their other businesses, including software and hardware (e.g., Apple), and online commerce (e.g., Amazon). The companies' size and reach also enable them to, in many cases, outbid traditional media for content. In sports programming, for example, Amazon Prime now offers Thursday Night Football, YouTube TV offers the NFL Sunday Ticket, and Apple TV+ offers Major League Baseball and Major League Soccer—all either new offerings or content that was formerly available from traditional providers.

<sup>6</sup> *Less Than 50% of US Households Now Subscribe to Pay TV, as Cord-Cutting Jumps More Than Expected*, EMARKETER (Mar. 7, 2023), <https://www.emarketer.com/press-releases/less-than-50-of-us-households-now-subscribe-to-pay-tv-as-cord-cutting-jumps-more-than-expected>.

The shift in consumer behavior—including subscriber “churn,” or frequent subscription cycling to optimize spending based on content availability—demonstrates a dynamic market environment in which traditional contractual lock-in has largely vanished.<sup>7</sup> This consumer-driven flexibility further underscores the diminished market power of traditional media companies and highlights the competitive discipline imposed by consumer preferences.

These changes have also affected the advertising side of the industry. Traditional media companies have always relied on advertising revenue to fund the creation and/or acquisition of compelling content, to finance innovation, and to reduce out-of-pocket costs for potential viewers. With the advent of streaming, however, advertisers now have many more options to place ads on television programming.

In its 2019 challenge to the proposed merger between broadcast companies Nexstar and Tribune, the U.S. Justice Department (DOJ) argued that the “[i]nventory of ad-supported, high-quality, long-form video on the internet is limited.... The most popular high-quality, long-form video available on the internet is provided through ad-free subscription services (like Netflix or Amazon Prime).”<sup>8</sup>

But streaming platforms that initially launched as subscription-only services now offer ad-supported tiers. For example, 70 million Netflix users globally subscribe to an ad-supported tier,<sup>9</sup> and ads are now the default for subscribers to Amazon Prime Video.<sup>10</sup> Overall, approximately 46% of households subscribe to at least one ad-supported tier of a streaming service,<sup>11</sup> and 56% of new streaming-service subscribers in the first quarter of 2024 chose an ad-supported tier.<sup>12</sup>

---

<sup>7</sup> The ability to easily switch services gives consumers implicit bargaining power in the form of churn risk, with approximately 42% of U.S. streaming consumers regularly subscribing, canceling, and re-subscribing to services based on content availability. See Daniel Frankel, *Disney Bundlers Are 59% Less Likely To Churn, Research Company Says (Chart)*, NEXTTV (Jul. 9, 2024), <https://www.nexttv.com/news/disney-bundlers-59-less-likely-to-churn-research-company-says-chart>.

<sup>8</sup> *United States et al. v. Nexstar Media Grp. Inc. & Tribune Media Co.*, Complaint at 13-14, Case No. 1:19-cv-02295 (D.D.C. Jul. 31, 2019), available at <https://www.justice.gov/archives/opa/press-release/file/1189776/dl>.

<sup>9</sup> Brian Steinberg, *Netflix Says Ad Tier Reaches 70 Million Users Globally*, VARIETY (Nov. 12, 2024), <https://variety.com/2024/tv/news/netflix-ad-tier-reaches-70-million-global-users-1236207015>.

<sup>10</sup> Adrian Pennington, *Prime Video's Ad Tier Entry Makes Immediate Impact on Ad-Supported Streaming*, STREAMTV INSIDER (May 7, 2024), <https://www.streamtvinsider.com/advertising/prime-videos-ad-tier-entry-makes-immediate-impact-ad-supported-streaming>.

<sup>11</sup> Kevin Westcott et al., *Streaming Video at a Crossroads: Redesign Yesterday's Models or Reinvent for Tomorrow?*, DELOITTE 2024 DIGIT. MEDIA TRENDS (Mar. 20, 2024), <https://www2.deloitte.com/us/en/insights/industry/technology/digital-media-trends-consumption-habits-survey/2024/customization-and-personalization-lead-the-svod-revolution.html>.

<sup>12</sup> John Koblin, *What Happened to Our Ad-Free TV?*, N.Y. TIMES (May 26, 2024), <https://www.nytimes.com/2024/05/26/business/media/ads-tv-streaming.html>.

In addition, short-form content delivered via social-media platforms like YouTube, Facebook/Instagram, and TikTok compete with sitcoms and dramas for advertisers.<sup>13</sup> Even traditional media companies' ability to deliver local spot advertising is no longer unique, as streaming and social-media platforms can use IP addresses to geo-target audiences for both long-form and short-form content.

The dramatic changes in the industry outlined above have greatly increased competition for users, content, and advertisers. This has eroded traditional sources of market power, such as control over the most popular mass-market content (e.g., network programming), as well as control over the limited channels of distribution (e.g., local cable distribution). This growth in competition, and the resulting reduction in potential for firms to exercise market power, will likely continue to benefit consumers.

### **III. Marketplace Fragmentation, Consumer Welfare, and the (In)Efficiency of Video-Content Delivery**

While viewers have clearly benefited from the explosion in both content and the number of ways to watch it, some attributes of the contemporary video market actually impede the efficient distribution of content.

Until recently, the majority of viewers subscribed to one of several pay-TV packages that provided access to most of the popular and niche content available. Now, Americans who subscribe to a streaming package pay, on average, for four streaming services—for many, such subscriptions are in addition to their live TV subscription.<sup>14</sup> And even then, they might not have access to all the content they desire, including content that was previously available to them—either because they don't subscribe to an additional streaming service that has exclusive content, or because they have “cut the cord,” replacing their cable or satellite service with streaming services that don't carry programming they previously consumed.

For example, to watch all of the Green Bay Packers' 2024 regular season games, a fan in most parts of Wisconsin would have needed access to Fox, CBS, NBC, and ABC; an Amazon Prime subscription for the Thursday Night Football game; and a Peacock subscription to watch the season opener. Then, to watch their favorite comedies and dramas, those same viewers might also have needed additional services such as Netflix, Apple TV, and Hulu.

Even viewers willing to subscribe to multiple streaming services may face frictions in accessing their preferred content, when compared to the relative ease of traditional bundled TV packages. The proliferation of separate interfaces, distinct platforms, and multiple controllers raises viewers'

---

<sup>13</sup> See Alex Sherman, *TikTok and Instagram Inch Closer to the Streaming Wars as Competitive Barriers Blur*, CNBC (Jul. 5, 2012), <https://www.cnbc.com/2021/07/05/tiktok-and-instagram-inch-closer-to-streaming-wars.html>.

<sup>14</sup> See Westcott *et al.*, *supra* note 11. (“On average, US subscribing households spend US\$61 per month on four SVOD services. Additionally, 68% of consumers surveyed pay for either a TV subscription or live streaming TV.”).

practical switching costs, particularly for some elderly or less-technologically savvy viewers. As a result, subscribers who theoretically have access to a wider range of content than before may, nevertheless, incur substantial search costs when attempting to find their preferred programming or to discover new shows. Indeed, survey evidence highlights the significance of these costs. In 2023, nearly 50% of respondents told Deloitte that they would increase their viewing time on streaming-video services if finding content were easier.<sup>15</sup>

By the same token, increased market fragmentation requires content providers to spend more to overcome these transaction costs, as they must intensify their marketing efforts across a wider range of outlets and shows to inform audiences about content availability. Less fragmentation and more integrated offerings would decrease these transaction and search costs, enhancing efficiency for both consumers and content providers.

Relatedly, empirical evidence suggests that market fragmentation has inadvertently contributed to a modest resurgence in online piracy.<sup>16</sup> Troublingly, a growing number of consumers who report that they are frustrated by fragmented content offerings and rising cumulative subscription costs view unlawful access as a valid response to manage entertainment expenses.<sup>17</sup>

The fragmentation of outlets, combined with the proliferation of content, has diluted the audience share of programming on traditional networks, eroding their competitive positions and reducing their advertising and subscription revenue. For example, TV's top scripted linear program in 2014, *The Big Bang Theory*, averaged more than 20 million total viewers. By 2024, the highest-rated scripted program was CBS's *Tracker*, averaging just over 11 million viewers—a much smaller audience share.<sup>18</sup>

And the shrinking audience shares is happening precisely when competing successfully with new entrants would require traditional media companies to increase their investments in order to 1) create or acquire rights to additional content to meet growing viewer demand; 2) build out their streaming operations; and/or 3) increase marketing expenses to reach fractured audiences and win

---

<sup>15</sup> *Id.*

<sup>16</sup> See, e.g., Gregory Ellis, *Streaming Has a Consumer and a Piracy Problem; The Answer Lies in the Music Industry*, ALLIOTTS (Sep. 22, 2023), <https://www.alliotts.com/articles/streaming-has-a-consumer-and-a-piracy-problem-the-answer-lies-in-the-music-industry>; Gintaras Radauskas, *With Streamers Raising Prices, Digital Piracy Is Back*, CYBERNEWS (Nov. 15, 2023), <https://cybernews.com/editorial/streaming-price-fuel-torrenting>.

<sup>17</sup> Arun Perinkolam et al., *Impatience and Price Motivate Consumers to Watch Pirated Content and Borrow SVOD Passwords*, DELOITTE 2024 DIGIT. MEDIA TRENDS (Oct. 8, 2024), <https://www2.deloitte.com/us/en/insights/industry/technology/digital-media-trends-consumption-habits-survey/2024/password-sharing-pirated-content.html>.

<sup>18</sup> See Tony Maglio, *'Big Bang Theory': How Its Ratings Are Different Than Every Other Show's*, THEWRAP (May 4, 2016), <https://www.thewrap.com/big-bang-theory-tv-ratings-season-9-finale-cbs>; Michael Schneider, *The 100 Most-Watched Telecasts of 2024*, VARIETY (Dec. 27, 2024), <https://variety.com/2024/tv/news/most-watched-shows-2024-tracker-young-sheldon-super-bowl-olympics-oscars-1236260223>; Press Release, *'Tracker' Was Television's #1 Show in 2023-24*, CBS (May 22, 2024), <https://www.prnewswire.com/news-releases/tracker-was-television-s-1-show-in-2023-24-302153267.html>.

back viewership. These trends reinforce the urgency for media companies to innovate in user-friendly content aggregation and pricing strategies.

#### **IV. Applying Competition Policy in the Video Sector to Enable Innovation and Competition**

Technological developments have created more competition and viewer choice, but pose a new challenge: how to package all of that content and deliver it to viewers in a cost-effective and convenient way. Developing user-friendly ways to combine the vast amount of available content will be key to facilitating ongoing competition and improving the viewing experience for audiences.

Competition policy will likely play a critical role in allowing such innovation and value creation, as market participants combine and recombine to discover profitable business models that will enable continued innovation and content growth. Properly assessing these ventures will require policymakers and the antitrust agencies to recognize certain key market characteristics:

- First, technological evolution and changing consumer preferences have enabled new entrants and business models. These have, in turn, increased competition and expanded output, while significantly diminishing the market power of traditional media companies.
- Second, the current environment of abundant content is accompanied by a complex and disaggregated ecosystem of platforms and delivery mechanisms. This has increased search and transaction costs, limiting viewers' easy access to and discovery of programming they potentially value.
- Third, the creation, acquisition, and delivery of long-form video content entails immense capital investments, which are only increasing as the growth in content and its dispersion across outlets necessitates increased spending to differentiate new content.

These market characteristics lead inevitably to a fourth consideration, the recognition of which is essential to ensure a proper assessment of business conduct in today's (and tomorrow's) video market:

- The ability to offer aggregated content packages is virtually essential to reduce consumer frictions, compete successfully for viewers, and therefore to draw (and keep) broad audiences. Obtaining and maintaining sufficient scale is, in turn, crucial to the subscription and advertising revenues required to fund further content creation and operations.

Partnerships, joint ventures, and combinations will thus likely play a central role in the evolving media sector. Survey evidence suggests that viewers may be nearing their limit in the number of subscriptions they will maintain, and in their willingness to spend more to gain or retain access to preferred content.<sup>19</sup> In January 2024, 62% of respondents told *The Motley Fool* they felt there were

---

<sup>19</sup> See Westcott *et al.*, *supra* note 11.

too many streaming services, up from 53% in 2022; 46% said they are subscribed to more video-streaming services than they were a year ago, down from 54% in 2022; and 37% said they subscribed to fewer services, up from 13% in 2022.<sup>20</sup> According to a 2023 Deloitte survey, 48% of respondents said they would cancel their favorite paid streaming video-on-demand service if monthly prices went up by \$5.<sup>21</sup>

The fragmentation of content delivery is a challenge for consumers, and addressing this challenge is key to generating consumer benefits from the ongoing growth in content. Policymakers should take care not to inhibit providers from experimentation, and instead to allow the market to determine the industry's structure and the content that individual streaming services provide.

The recent landmark agreement between Disney and Charter Communications illustrates the sort of innovative hybrid revenue models that can arise from combining linear television and streaming rights.<sup>22</sup> In describing the deal, Walt Disney Co. CEO Bob Iger and Charter Communications CEO Chris Winfrey said that it “recognizes both the continued value of linear television and the growing popularity of streaming services while addressing the evolving needs of our consumers.”<sup>23</sup> The partnership highlights how market participants increasingly transcend traditional business and regulatory boundaries in order to create hybrid offerings that are responsive to consumer preferences.

The need to maintain this flexibility in contracting and bundling should inform antitrust assessments of the sector, emphasizing the importance of allowing experimentation that addresses consumer demand effectively. Traditional media companies will inevitably try a range of different business models and collaborations—both vertical and horizontal—to better attract viewers and improve their operations. The content sector is in transition, and antitrust enforcement should promote, not stymie, innovation and experimentation to increase benefits for all companies and viewers in the marketplace.

Given the rapidly evolving marketplace, regulatory approaches based on traditional static equilibrium models and backward-looking market definitions are unlikely to adequately capture the competitive dynamics. In the market for both viewers and advertisers, superficially differentiated services like Google, Apple, and Amazon, on the one hand, and Disney, Comcast, and HBO, on the other, are direct and vigorous competitors. Policymakers must recognize the transient nature of apparent

---

<sup>20</sup> Jack Caporal, *State of Streaming 2024: Streaming Services and Consumer Sentiment*, MOTLEY FOOL (Mar. 18, 2024), <https://www.fool.com/research/state-of-streaming>.

<sup>21</sup> See Westcott *et al.*, *supra* note 11.

<sup>22</sup> See Dawn Chmielewski, *Disney, Charter Deal Reshapes Media Landscape, Executives Say*, REUTERS (Sep. 14, 2023), <https://www.reuters.com/business/media-telecom/disney-charter-deal-reshapes-media-landscape-executives-2023-09-14>.

<sup>23</sup> Press Release, *The Walt Disney Company and Charter Communications Announce Transformative Agreement for Distribution of Disney's Linear Networks and Direct-To-Consumer Services*, WALT DISNEY CO. (Sep. 11, 2023), <https://thewaltdisneycompany.com/disney-charter-spectrum-agreement>.

market positions and adopt flexible frameworks that permit novel arrangements for content creation, as well as distribution, monetization, marketing, and R&D. Such regulatory humility is essential to avoid stifling beneficial market innovations and to support sustained consumer-welfare gains in the video marketplace.

## **V. Conclusion**

The video marketplace has undergone rapid and radical transformation since the advent of television, through phases exemplified by companies like ABC, CBS, and NBC; TBS, MTV, and ESPN; HBO, Showtime, and Cinemax; Blockbuster Video; Netflix, Amazon, and Apple; Disney+, Hulu, and Peacock; and TikTok, Instagram, and YouTube.

At every step, the market has delivered substantial consumer benefits, including greater flexibility, choice, and cost efficiencies. At the same time, these shifts have also presented new challenges. Today's market is notably marked by fragmentation, subscription fatigue, monetization challenges, and rising capital costs.

Policymakers and industry stakeholders must embrace regulatory flexibility and innovation-friendly competition policies to foster continued experimentation. By doing so, they will better align industry practices with consumer preferences, ensuring sustained growth and consumer welfare in this dynamic market.