The Streaming Wars that will Shape the Future of Entertainment

When the CEOs of Netflix and Blockbuster met in the distant year 2000 to discuss a merger between the two, Netflix was a 3-year-old company valuing itself at a measly $50 mln compared to Blockbuster's market capitalization of around $5 bln (Sloan, 2020). Perhaps, having taken note of the phrase "if you cannot beat them, join them", people at Netflix thought their best chance against the behemoth of home movie and video provision was to become a part of it. If someone told them that 21 years later there would be no Blockbuster, and Netflix would be one of the most valuable companies in the world, even they would not have believed it. And yet, here we are in the year 2021, where Blockbuster has been bankrupt for more than a decade, and movie rental stores have gone all but extinct, while Netflix is valued at more than $200 bln and spent $17 bln on content during last year alone (Sweney, 2021).

Apart from the hefty valuation, Netflix also boasts the largest subscriber base among the new giants of entertainment, a sector that has seen dramatic changes in the last few years as online streaming and on-demand video (VOD) have become the mainstream way for people to watch anything. Netflix, the only one of the said giants to be present only in the VOD market, has more than 200 mln subscribers who watched an average of 3.2 hours of content on the platform per day during 2020, which translates into 6 bln hours per month watched in total (Morrison, 2021). Competition is catching up quickly though, and the company now has a fight on its hands against giant corporations such as Disney, AT&T, and even the likes of Amazon and Apple (two companies valued at more than $3.5 tln combined).

The rapid rise of Netflix and the rest of the participants of the so-called "Streaming Wars" has not only cast Blockbuster into oblivion, but is also biting into the pie of cable TV. 2019 was a significant year in the shift from cable to streaming, as it marked the first time that more people were paying for at least one of the streaming services than for cable or satellite in the US (Brantner, 2019). A lot of the companies that made cable TV so popular, such as Disney or Discovery, seem to have learned from Blockbuster's failures and are trying to adapt, rather than fight the new landscape and stick to the old ways. Disney launched its own VOD service called Disney+ in 2019, with the advantage of having the exclusive right to some of the most popular franchises in the history of cinematography, which are also immensely popular nowadays, such as Star Wars and the MCU. The launch proved quite successful, as the service now has more than 100 mln subscribers, a figure initially thought to be achievable in 5-6 years, thanks, in part, to the pandemic that wreaked havoc on everything else that Disney does, but proved helpful to the VOD market in general and Disney+ specifically. Most recently, Discovery and WarnerMedia, which is owned by AT&T, announced a merger deal to create a new streaming service in an attempt to survive and stay relevant in the changing market conditions (Kovach & Meredith, 2021).

Two of the largest corporations in the world are also involved, and they are using all of their might and every trick at their disposal to lure subscribers to their own streaming services. Amazon's Prime, among its vast array of diversified services, also happens to include a video-streaming service. It is the only competitor with a subscriber base comparable to that of Netflix, and that was even before the company announced plans to spend billions on the acquisition of Hollywood studio MGM, and consequently, the addition of all of MGM's content to its service in addition to the planned "Lord of the Rings" series and other popular content (Pallotta, 2021). Due to the auxiliary nature of the VOD service in the Prime program, it might seem quite unfair to draw conclusions from those numbers only, but the main takeaway should be the fact that Netflix's competition includes all sorts of companies that might not be playing by the same rules.

Apple, on the other hand, does not possess a bundle of services where it can throw in a streaming service as well. What they do possess is a significant presence in the hardware used to watch anything. There are billions of iPhones and iPads already in use, and hundreds of millions entering into circulation every year, so Apple now gifts a free year of Apple TV to its users, or includes the free trial in the purchase of a new device, in hope that iPhone buyers will turn into Apple TV subscribers once their free trial comes to an end. Apple is not holding back in content creation either, adding household names of Hollywood to their projects like Jennifer Aniston and Steve Carrell in “The Morning Show” or Jason Momoa in “See”. After all, the company has hundreds of billions of cash on its balance sheet and could potentially outspend anyone in the market if need be.

As the mergers and acquisitions come to an end and the dust settles after the “Streaming Wars”, the new order of the VOD world will be unrecognizable. A likely outcome is a bunch of complete write-offs or heavily discounted sales by the few unfortunate participants that realize they cannot compete anymore, with the remaining few comprising a form of oligopoly on everything we watch. Just as the six biggest movie studios were responsible for the production of the vast majority of successful movies and TV shows for the better part of the last half a century, the last ones left standing after the “Streaming Wars” will provide us with entertainment for decades to come.

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