KPMG

KPMG 2023 Media Consumer Survey

Consumers loyal to streaming, but at what price?

Economic uncertainty, “streamflation,” and production delays test customer loyalty for streaming services

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Introduction

Facing financial losses and with a much greater focus on the bottom line, streaming services are raising their subscription rates, cracking down on password sharing, and looking for ways to diversify their programming, including a focus on ad-supported offerings.

After years of strong consumer demand and numerous streaming launches, the market has become saturated. With the pressure to increase revenue, streamers have shifted their focus to a different set of KPIs, including ARPU, churn, and profitability.

In the face of streaming price hikes, and tightening monthly budgets due to inflation, subscribers are feeling the squeeze as they continue to juggle multiple subscriptions. Many are taking a second look at how much they're spending on their streaming subscriptions and paring back.

To better understand the impact of current economic conditions on consumers' entertainment choices, and to gather their opinions about subscription pricing trends, content options, and the impact of the Hollywood strikes, KPMG surveyed more than 1,000 people across all age groups.

The survey found that overall, consumers were loyal to their streaming services but were also concerned about the cost. Many have already trimmed their spending on video streaming, and others are considering cuts if inflation persists. At the same time, many respondents were reducing discretionary spending in other areas, like dining out, before cutting back their streaming subscriptions.

A strong majority of respondents would also be willing to enter into a longer-term streaming subscription to get a lower monthly price, while others have reduced spend with ad-based options.

For their part, streaming providers, facing their own economic pressures and increased competition from market newcomers, are taking steps to raise revenue. One strategy is ad-based subscription services, a practice that consumers are generally accepting—however reluctantly. On the other hand, raising subscription prices—so-called streamflation—is testing the loyalty of some subscribers, prompting some to drop their streaming plans, which is raising the risk of subscription churn for streaming providers.

The following report explores these issues further as well as the impacts of prolonged production delays and lack of new content due to the Hollywood strikes.

Highlights

Streaming spend

Due to budget tightening, **37%** have canceled at least one streaming service in the last 6 months...

...while another **27%** said they plan to cancel in the next 6 months.

Subscription prices

Rising subscription prices—"streamflation"—is testing the loyalty of customers:

38% of all respondents said that they have canceled at least one streaming service due to price increases.

Longer-term subscriptions

Longer-term subscriptions are viewed favorably...

81% of respondents said they agreed or strongly agreed that they would be willing to stick with a streaming service for a period of time (at least six months) to get a lower monthly price.

Hollywood strikes

The Hollywood strikes halted production, and consumers are weighing the impact:

51% say they are already running out of content to watch...

...while **59%** agreed that there is plenty of streaming content to watch, even without the new season of their favorite show.

Ad-based subscriptions

Ad-based subscriptions are already a fact for nearly one-third of respondents

30% are already paying for an ad-based subscription...

...and another **23%** said it's worth sitting through ads for a lower price and would consider switching in the next six months.

Consumers have cut streaming spending in the last six months

As consumers evaluate their discretionary budgets for the past six months and next six months, streaming spend is a factor, especially among certain age groups.

More than one-third—37 percent—of respondents overall have taken the step of canceling at least one streaming service to decrease monthly spend in the past six months. Of note, however, was that 29 percent of respondents said they hadn't pursued any of the cost-cutting options, while 20 percent of respondents said they actually added at least one service streaming service based on content options.

When asked about what cost-cutting measures they might take in the next six months, 35 percent of respondents said they had no plans to cancel or modify their services, while 27 percent said they plan to cancel at least one streaming service to decrease monthly spend.

Looking at the results broken down by age groups, younger generations were more likely to have already taken action.

Among Millennials, 46 percent said they had canceled at least one streaming service in the past six months to decrease monthly spend. With 39 percent of Gen Z, and 35 percent of Gen X following suit. Boomers indicated only 28 percent had canceled at least one service to decrease monthly spend.

However, the trend toward cutting services may be slowing. Overall, 35 percent of respondents said they had no plans to cancel or modify their services in the next six months.

Conversely, about half of Boomer respondents (51 percent) said they've done nothing in the past six months to modify their streaming spending, and, looking ahead, 54 percent said they don't plan to do anything in the coming six months. Gen X's responses were similarly high. Another generational difference: older viewers were more content with their streaming services' programming and were less likely to cancel their subscriptions based on content options than younger subscribers.

Based on budget constraints, 'I have done/plan to do the following' in the past/next six months: *(select up to 3)*

Actions	In the past 6 months	In the next 6 months
Cancel at least one streaming service to reduce monthly spend	37%	27%
Add at least one streaming service based on content options	20%	15%
Cancel at least one streaming service based on price promo expiring	17%	16%
Switch my subscription to a lower priced tier with ads	14%	14%
Cancel at least one streaming service based on content options	14%	14%
Add at least one service that was part of a bundle (more favorable price)	12%	13%
None of these options	29%	35%

Multiple responses allowed. Percentages do not sum to 100%.

Cost cutting by generation	Gen Z 18-26	Millennial 27-42	Gen X 43-58	Boomer 59-77
Canceled at least one service to reduce costs	39%	46%	35%	28%

Consumers more likely to cut other entertainment and leisure before streaming

Although the cost of streaming services can add up, particularly with multiple subscriptions, watching a movie or show at home can be the less-expensive entertainment choice.

Our survey asked what other leisure expenses consumers are curtailing, and where streaming services fit into the mix.

Across all age groups, dining out was the top area for budget trimming (58 percent), followed by movie tickets (33 percent), and experiences (32 percent). There were, however, differences among age groups. Younger groups were more likely curtail spending on video gaming and music streaming subscriptions.

Streaming was near the middle of the list of choices, with 19 percent of respondents saying they would cut back on their streaming subscriptions. Gen Z (24 percent) and Millennials (25 percent) were more likely to cut streaming than their Gen X (14 percent) or Boomer (13 percent) counterparts.

***Due to inflation and rising costs in other areas, I have cut back on my entertainment expenses in these areas:** (select up to 3)*

Actions	Total	Gen Z 18-26	Millennial 27-42	Gen X 43-58	Boomer 59-77
Dining out	58%	44%	63%	65%	60%
Movie tickets	33%	28%	29%	40%	37%
Experiences (escape room, local events, etc.)	32%	38%	41%	26%	24%
Live sporting events	23%	20%	20%	24%	28%
Live music events	23%	24%	21%	25%	21%
Video streaming subscriptions	19%	24%	25%	14%	13%
Video gaming	16%	30%	20%	9%	7%
Music streaming subscriptions	14%	21%	18%	13%	5%
I have not cut back any entertainment expenses	12%	9%	8%	13%	18%
Other	2%	0%	1%	3%	3%

Multiple responses allowed. Percentages do not sum to 100%

Subscribers would accept long-term streaming contracts for a lower price

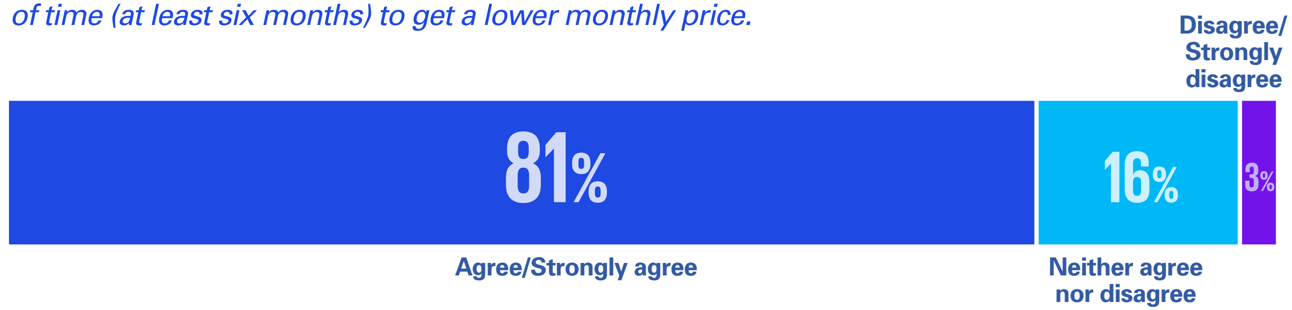
Do consumers like their streaming services so much that they'd be willing to enter a long-term contract for a lower price? The answer is overwhelmingly yes.

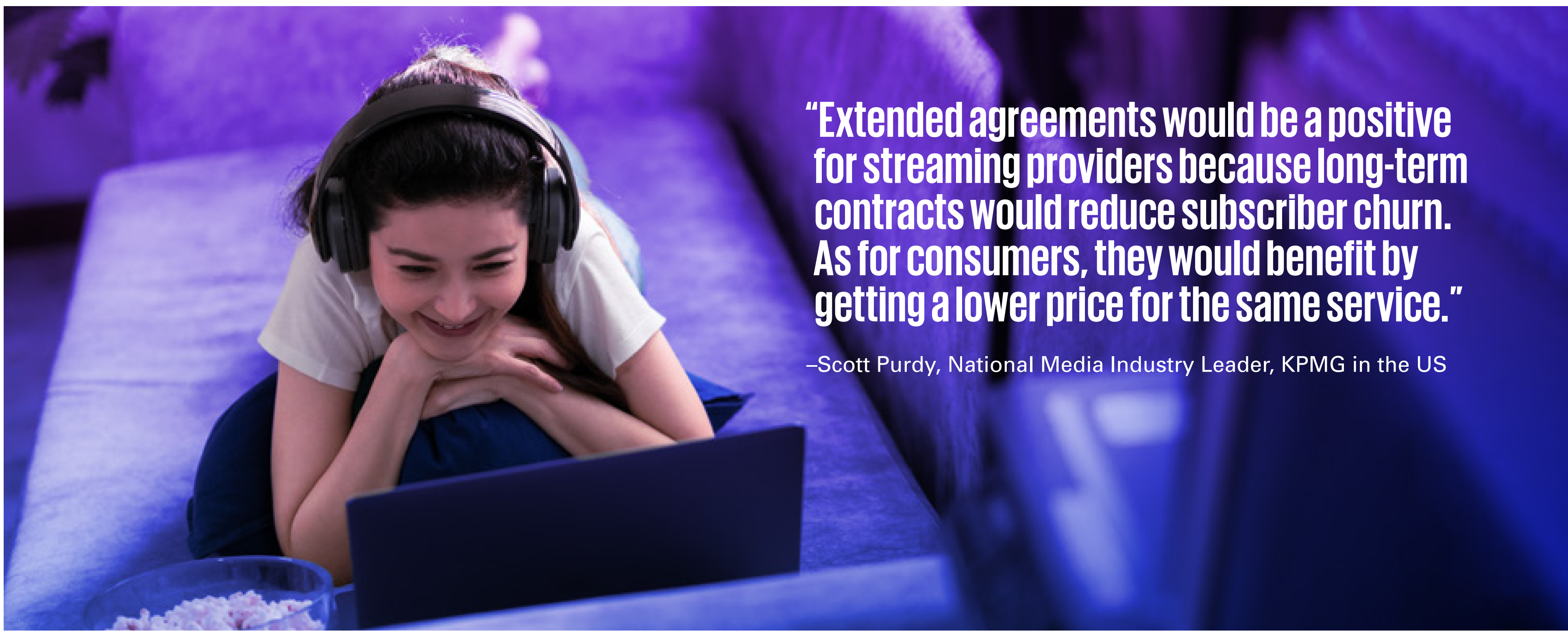
In our survey, 81 percent of respondents said they agreed or strongly agreed that they would be willing to stick with a streaming service for a period of time (at least six months) for a more affordable monthly cost.

While the industry may not be returning to multi-year contracts as a norm, long-term agreements have the potential to be a win-win situation for both consumers and streaming services.

To what extent do you agree/disagree with the following statement? *(select one)*

I would be willing to stick with a streaming service for a period of time (at least six months) to get a lower monthly price.





Subscribers are accepting ad-based streaming

As the business continues to evolve, streaming companies face tremendous market pressure to get to profitability. Companies are monetizing streaming content and the audience in a variety of ways, and ads have become an integral part of that landscape.

The industry swung from cable, a model with ads and a monthly premium, to an on demand, ad-free, subscription-only model that was appealing to viewers, but not sustainable. Currently, every major streaming service has—or has announced—an ad-supported option.

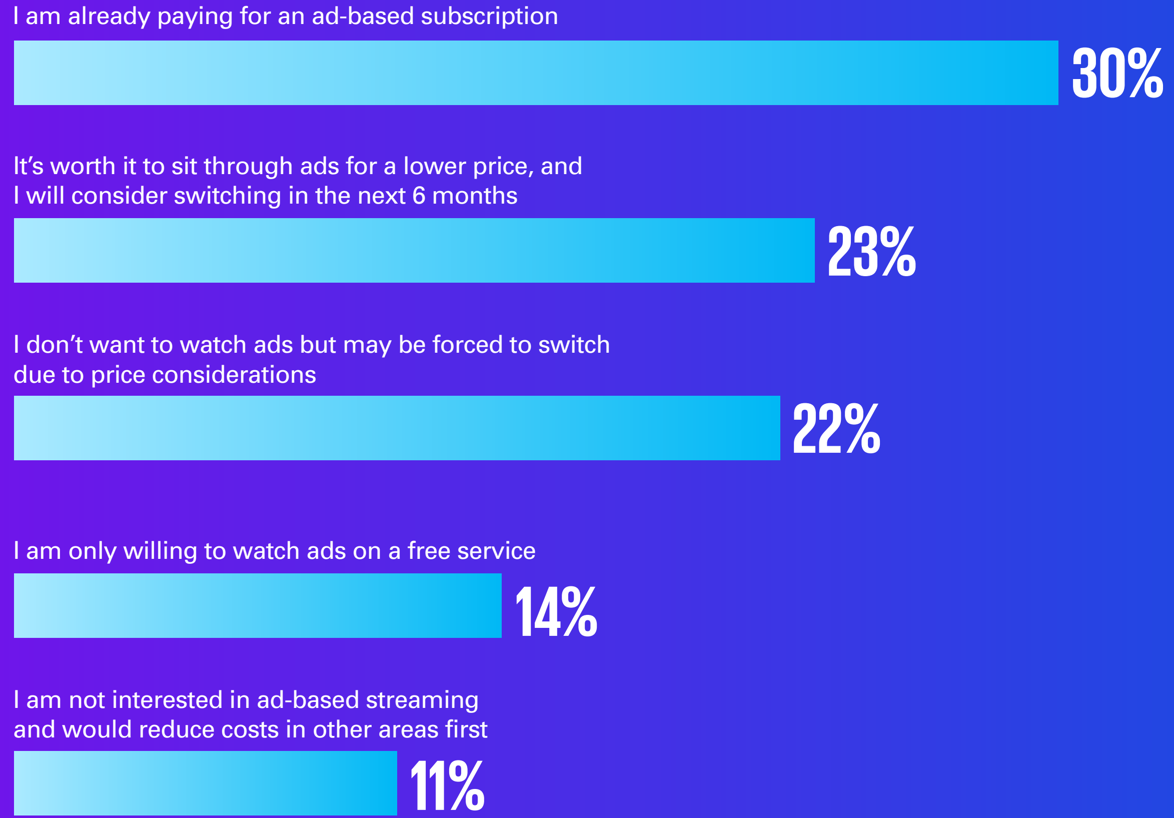
"Ads are here to stay. The economics of streaming have shifted to focus on profitability, and offering an ad-based tier has become the standard," according to Elizabeth Wills, Managing Director Advisory, KPMG in the US.

While some consumers may balk at sitting through streaming ads on a paid streaming service, most are accepting the arrangement for the cost savings.

Nearly a third of respondents said that they already pay for an ad-based subscription, while 23 percent said it's worth sitting through ads for a lower price and would consider switching to such an arrangement in the next six months. Only 11 percent said they weren't interested in ad-based streaming and would reduce costs in other areas first.

Among age groups, Gen Z was the most amenable to ad-based streaming, presumably because it offers a lower price.

Which of the following best describes how you feel about watching ads to get a lower streaming subscription price? *(select one)*



Subscribers feel the pinch of “streamflation” as companies refocus on profitability

Media companies are emerging from an era of driving growth, and their focus has quickly pivoted to profitability. As a result of this mindset shift most, if not all, of the major streaming services have increased prices in the past year.

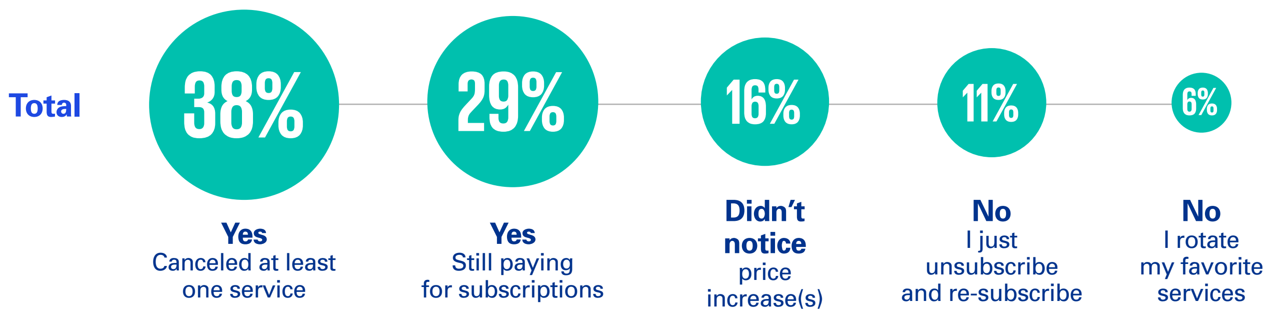
With persistent inflation and a renewed focus on the bottom line, the price creep of “streamflation” is testing customer loyalty, especially for those juggling multiple subscriptions.

According to our survey, 38 percent of all respondents said that they have canceled at least one streaming service due to price increases. Gen Z and Millennials were more likely to cancel than Gen X and Boomers. On the other hand, only 29 percent overall said they were aware of rising prices but keep paying for their subscriptions, while 16 percent said they hadn’t noticed any price increases.

“Companies have pivoted from chasing subscribers to chasing profits. The subsidy era has ended and consumers are entering a new age of ‘streamflation’. It’s easy to imagine a scenario where most streaming services cost upwards of $25 per subscription.”

— Scott Purdy, National Media Industry Leader, KPMG in the US.

Are you feeling the effects of “streamflation” – the rising costs of streaming services? (select one)



By age group

	Gen Z 18-26	Millennial 27-42	Gen X 43-58	Boomer 59-77
Yes, I have canceled at least one streaming service due to price increases	41%	43%	36%	32%
Yes, but I just keep paying for my subscriptions	27%	24%	32%	34%
I didn’t really notice the price increase(s)	14%	17%	14%	19%
No, I just unsubscribe and re-subscribe based on what I’m interested in watching	13%	11%	10%	10%
No, I rotate (unsubscribe and re-subscribe) my favorite services to manage monthly streaming costs	5%	5%	8%	5%

If consumers could change one thing, price is still the priority

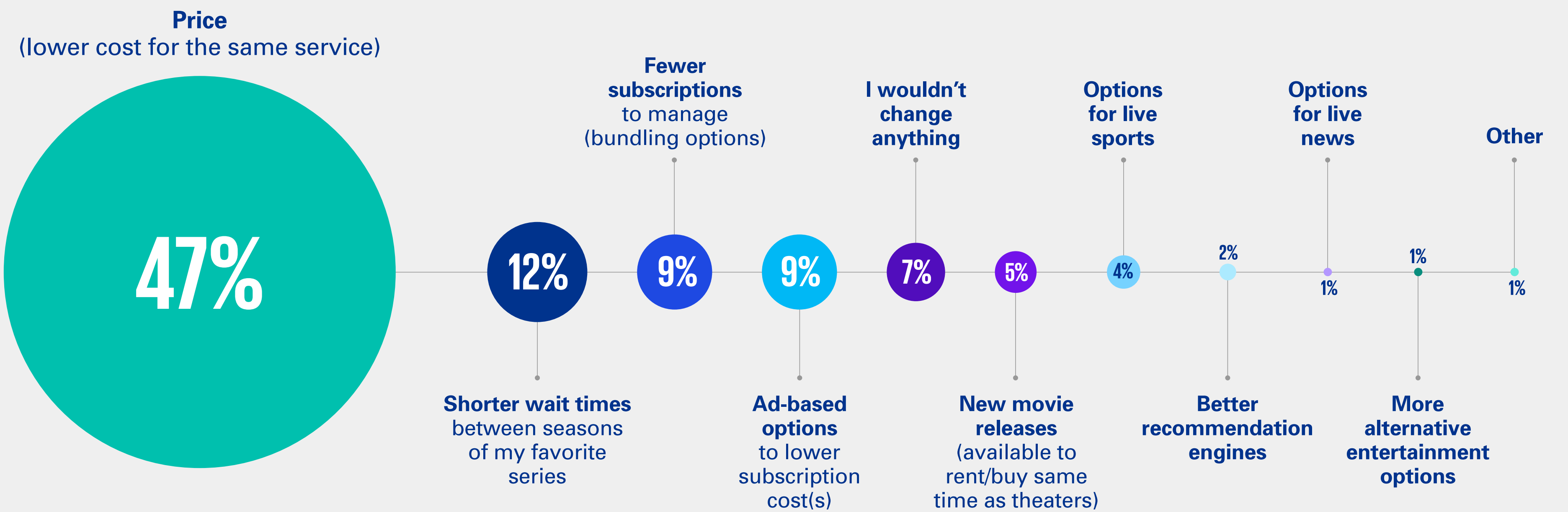
As consumers struggle with rising costs, getting the most for their dollar remains a top priority. That includes streaming services, where, as we've seen, saving money has become increasingly important among subscribers.

We asked survey participants what one thing they would change about their streaming services. Nearly half—47 percent—said price, that is, lower cost for the same service. That was followed by shorter wait times between seasons for their favorite original series at 12 percent, and fewer subscriptions to manage (in other words, bundling options) with 9 percent.

These results were largely in line with last year's survey, where price pulled 37 percent; fewer subscriptions to manage, 14 percent, and shorter wait times between seasons, 10 percent.

Survey participants also offered some responses of their own about what they'd like to change, mostly around price and content. For example, "going back to all-in-one cable might be cheaper overall," "More complete series content, instead of only a few seasons," "I'd rather bundle," and "Regional sports channels."

If you could change one thing about your streaming service(s), what would it be? *(select one)*



Percentages do not sum to 100% due to rounding.

Content may not be king, but consumers still want lots of options

In its infancy, streaming was the antidote to cable, giving people the opportunity to create their own content mix for a more reasonable price.

But the à la carte model has proven tricky. As the streaming market has matured, most consumers have found a need to subscribe to multiple services to get the content mix they desire.

So, what do viewers look for in choosing a streaming subscription? Among all respondents, 48 percent cited "favorite new shows," 43 percent said, "broad range of movies," while 38 percent picked "broad range of shows." They also expressed a preference for favorite older shows (35 percent) and a regular supply of new content (30 percent).

Breaking down the results by age offers some interesting insights. More Gen Z and Millennials were interested in new shows than Boomers, while more Boomers were interested in a wide variety of movies and TV shows. Gen Z and Millennials also appear to be more nostalgic when it comes to TV, citing the desire to watch favorite older shows more frequently than Gen X and Boomers.

In terms of content, what is most important to you when considering a streaming subscription? *(select up to 3)*

	Total	Gen Z 18-26	Millennial 27-42	Gen X 43-58	Boomer 59-77
Favorite new show(s)	48%	52%	57%	49%	36%
Broad range of movies	43%	33%	44%	44%	51%
Broad range of shows	38%	36%	32%	42%	43%
Favorite older show(s)	35%	44%	40%	29%	29%
Regular supply of new content	30%	26%	26%	34%	36%
Specific genre or franchise of movies	19%	25%	24%	12%	15%
Availability of kids programming	7%	7%	11%	7%	4%

Multiple responses allowed. Percentages do not sum to 100%.

Promos from wireless carriers play well with Gen Z and Millennials

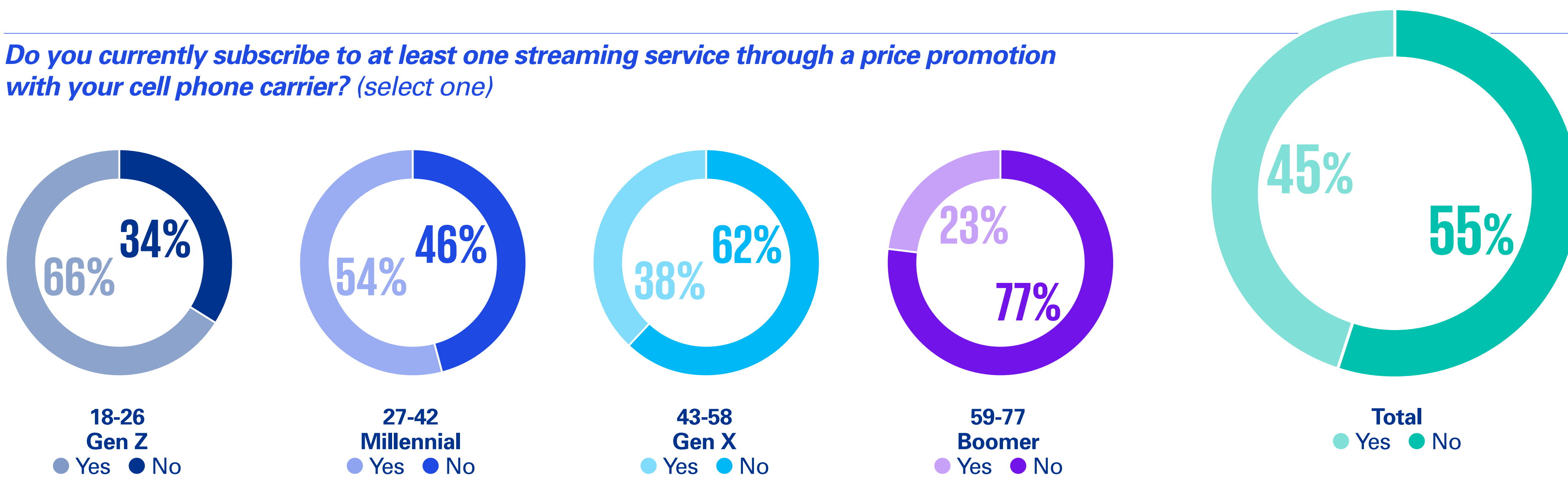
Wireless phone carriers often offer streaming service subscriptions as part of price promotion offer.

The recent KPMG Telecom Consumer Survey[1] found that for most consumers, price promotions on streaming and other subscription services were not a make-or-break factor when choosing a wireless carrier.

Our streaming survey supports those results, with a majority of all respondents saying they don’t subscribe to a streaming service through a promotion. However, broken down by age, the results showed that the promotion option was much more popular among Gen Z and Millennials than Gen X and Boomers.

> “Younger demographics value a high degree of personalization when selecting preferred brands, and wireless carriers are no different. Streaming price promotions are just one example of incentives that have become a critical marketing component for carriers especially on premium plans.”
>
> –Sean Sullivan, National Telecom Industry Leader, KPMG in the US

Do you currently subscribe to at least one streaming service through a price promotion with your cell phone carrier? *(select one)*



1 KPMG 2023 Telecom Consumer Consumers weigh price, perks, and carrier options

Subscribers take strike-related production delays in stride

The Writers Guild of America (WGA) strike ended in October, after 148 days. Members of the Screen Actors Guild and American Federation of Television and Radio Artists (SAG-AFTRA) have been on strike since July, and at the time of this publication an end to the 118 day strike had just been announced.

For the average person, the months-long production delays caused by the work stoppages, means that the release of new movies, new TV programs, and new episodes of scripted dramas and comedies will be delayed for an indeterminate amount of time.

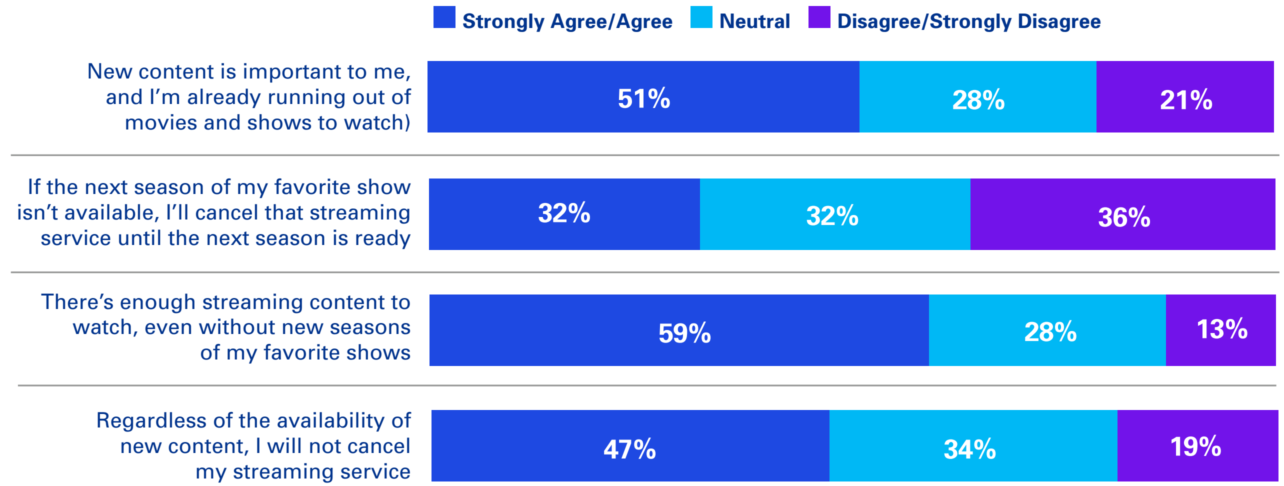
Our survey found that a strong majority of respondents (69 percent) were aware of the Hollywood strikes, but most don't seem to be too concerned about the availability of content.

Slightly more than half of the respondents said that that new content was important and that they were already running out of movies and shows to watch. But on the other hand, 59 percent agreed that there's plenty of streaming content to watch, even without the new season of their favorite shows.

And 47 percent said they wouldn't be canceling their streaming, regardless of the availability of new content. Notably, 32 percent said if the next season of their favorite show weren't available, they'd cancel their streaming service until the next season is ready, suggesting they were subscribed to the service for one or two specific programs.

The results indicate that most subscribers have their favorite services and are happy to view whatever content they provide, while a smaller number are more selective and subscribe to a service to view specific programs that they have a strong desire to watch.

Thinking about delays in film and TV new releases due to production delays, to what degree do you agree with the following statements? *(select one)*



"The dynamics of streaming subscribers are often unpredictable. There's one segment of the population that is relatively resilient and tends to be more loyal to their favorite streaming platforms. Others are used to bouncing around frequently. With the production delays of the last several months, consumers may be in for a much longer gap in content than they anticipate, which may lead to more churn than anticipated."

— Scott Purdy, National Media Industry Leader, KPMG in the US.

AI written programming? Viewers say maybe

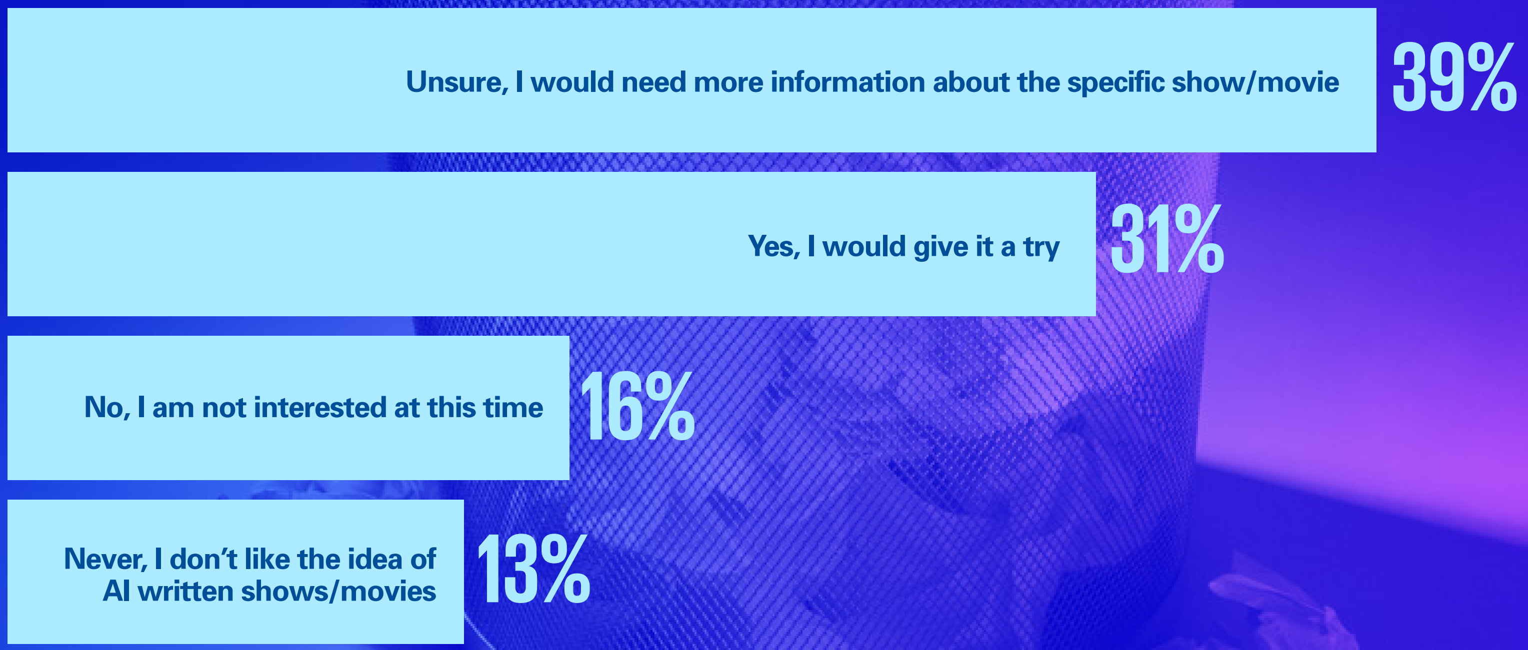
Generative artificial intelligence (GenAI) has captured the public's imagination and is already changing the way people think about gathering information.

In addition to creating fact-based content, GenAI can produce poems, songs, and stories based on human-inputted prompts. It can also modify and create images and videos.

It won't be long before a GenAI bot produces a movie or TV screenplay. But it may take some time for viewers to get used to such a script—if at all.

About one-third of respondents said they would give a show or movie written by AI a try, while about the same percentage responded negatively. Nearly 40 percent were keeping an open mind, saying they were unsure and would need more information about the specific show or movie.

Would you watch a show or movie that was entirely written by artificial intelligence (AI) tools? *(select one)*



Percentages do not sum to 100% due to rounding.

How KPMG can help

Whether you are starting your growth journey or looking to optimize organization efficiency and profitability, KPMG can support your organization with a flexible and scalable approach that is grounded in a deep understanding of the ever-changing media landscape.

We'll collaborate with your teams to help you define and deliver:

- **Business model strategy**
- **Operating model design**
- **Transaction due diligence and execution**
- **Technology strategy and partnerships**
- **Risk and controls framework**
- **Tax, regulatory, and compliance considerations**

Our experienced professionals create practical approaches that help clients achieve their business ambitions, while balancing the challenges and risks inherent in designing and implementing strategies. With fully integrated, cross-functional teams, we are well-positioned to provide meaningful insights on the opportunities and challenges that the shifting media landscape brings for your business.

Methodology

- Online survey conducted in August 2023
- 1,031 people in the US provided responses on topics related to their preferences and insights about streaming options
- Respondents were age 18–77 with about 250 respondents each from the following generation groups: Gen Z, Millennial, Gen X, and Boomer.

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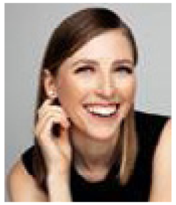

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