

# Global watch on culture and digital trade

## **STREAMING PLATFORMS: BETWEEN NEW REGULATION AND SUSTAINABILITY OF THEIR BUSINESS MODEL**

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Analytical report, May 2022

The May report begins with the discussions toward the Data Act proposal within the European Union (EU) and with the United Kingdom's new regulation on video-on-demand (VOD) services. It also deals with online Amazon's e-book returns policy that is strongly criticized by several authors. Then, the report turns to Netflix's loss of subscribers, which shows that the pioneer of VOD services is increasingly challenged by a growing number of platforms, generating at the same time concerns toward the sustainability of the VOD services' business model. In addition, the report emphasizes the global expansion of several streamers, such as Paramount Plus, Disney Plus, Viaplay, and highlights new data about the business plans and strategic partnerships of streaming platforms, focusing on Amazon, Apple Music, Netflix.

### **Regulation issues, digital trade and culture**

#### **EU Data Act proposal**

End of February, the European Commission presented its draft for the new data law. According to [EURACTIV](#), the new Data Act addresses the lack of data availability and unfair commercial practices. It seeks to provide horizontal legislation for sharing non-personal data by introducing obligations for online platforms to give users access to the data they contribute generating and to ensure public bodies have access to privately-held data under exceptional circumstances.



In April, the European Commission has been making a series of presentations to EU countries that have requested clarity on “how the new data law will apply” and how it will interact with other legislation, such as the EU General Data Protection Regulation (GDPR), the Data Governance Act, and the Database Directive. Three more workshops are expected to take place with national experts by May 25.

### **Amazon’s e-book returns policy**

Under the online Amazon’s e-book returns policy, customers can receive a full refund within 14 days of purchase. According to The Times, in the UK, authors, including Ian Rankin and Jeanette Winterson, have criticized Amazon for allowing customers to get refunds on e-books that they have finished reading. Early April, a petition was started, asking that this policy be changed. So far, the online petition has been signed by more than 45 000 people. The UK Society of Authors (SoA) has called on Amazon to cut its e-books returns window to 48 hours. In addition, authors are charged a download fee for customers purchases which is not reimbursed when readers return the book.

According to Nicola Solomon, chief executive of the SoA, “seven days is more than enough to read a whole e-book and exchange, and it is not fair to deduct the author’s royalty for books that have been or could have been read”. Besides, Jeanette Winterson said that “Jeff Bezos started selling books because they have a long shelf life, are easy to package and their ISBN system is an algorithm dream. The man has never given a toss about books, bookstores or writers”.

### **UK Regulation on video streamers**

According to Bloomberg, the UK government has proposed changes in the way streaming services are regulated in the country. As such, the UK will force on-demand video services, like Netflix, “to curb material deemed harmful, such as unchallenged health claims”. The new broadcasting bill will enable people to “complain about content that currently escapes regulation” and allow media regulator Ofcom to investigate such complaints, leading to warnings and fines. Besides, under the new rules, streaming services that provide TV-like content will be regulated by Ofcom. At present, only linear TV and BBC iPlayer fall under its remit.

## Worldwide activities of online platforms

### Global struggle for subscribers

Netflix lost 200 000 subscribers in the first quarter of 2022 and expects to lose another 2 million in the current second quarter. In January, Netflix reported 221.84 million subscribers, while in April, the total number fell to 221.64 million, marking the first time the global streamer has lost subscribers during a quarter in ten years. According to Variety, the loss of Netflix subscribers is explained by two key reasons: first, the war in Ukraine, as Netflix cut services in Russia, and, second, “the fundamental fact that Netflix now exists in the hyper-competitive world it created” – i.e. the rise of other global streamers like Disney Plus, Apple TV Plus, Paramount Plus and HBO Max, but also of several local and regional players, such as Stan in Australia, Blim in Mexico, Viaplay in Northern Europe, and VIU in South-east Asia. Regarding the robust competition from other players, the company noted that “over the last years, as traditional entertainment companies realized streaming is the future, many new streaming services have also launched”.

As such, according to The Conversation, it is becoming increasingly difficult for global streaming companies, like Netflix, “to compete against not just other global media companies, but also compete with local and regional services that have deeper ingrained relationships with audiences”. As a result, the image of Netflix “as the unstoppable locomotive of the new age of the entertainment industry took a major hit”. The pioneer of VOD services reported growth in only one region: Asia-Pacific, where paying subscribers grew by 1.1 million. Besides, in order to make more money in a strongly competitive streaming market, Netflix could probably propose two measures: a lower cost, ad-supported subscription service and a crackdown on password sharing between households.

In addition, according to The Verge, HBO added nearly 13 million subscribers last year across both traditional HBO and HBO Max, including growth of three million in the last quarter. Both services combine 76.8 million subscribers worldwide.

Finally, Spotify has published its financial results for the first quarter of 2022, revealing that it had 422 million monthly active users and 182 million premium subscribers at the end of March, up by 19% and 15% year-on-year respectively. The streaming service posted revenues of 2.82 billion USD for the first quarter, which was a year-on-year rise of 24%.



## Global expansion

With a presence in 26 markets in late 2021, Paramount Global's streaming service Paramount Plus will be launching in the UK, Ireland and South Korea in June, with plans to also make the service available in India in 2023. The streaming service has been live since March 2021 in the US and, then, has been rolled out across Latin America, Canada, Australia, and Nordic countries, such as Norway, Sweden, and Finland. Besides, according to the Hollywood Reporter, last August, Paramount Global concluded a deal with Comcast's European pay TV and streaming service Sky to launch Paramount Plus on Sky platforms in the UK, Ireland, Italy, Germany and Austria in 2022. In the first quarter of 2022, Paramount Plus reached 39.6 million subscribers, with a target to hit 100 million by 2024.

In addition, during this summer, the global expansion of Disney Plus is set to continue as the streaming service plans to launch in 42 countries and 11 new territories across Europe, Middle East and Africa. In May, Disney Plus will launch in South Africa, followed by other countries, including Algeria, Egypt, Israel, Saudi Arabia, Tunisia in June.

End of April, the BBC-ITV joint streaming service BritBox launched in Sweden, Denmark, Norway, and Finland. The launch in the Nordic region will extend Britbox into a total of eight countries, including the US, Canada, Australia, South Africa, and the UK.

Finally, NENT Group, which owns the Nordic streamer Viaplay, has launched a new content brand, Viaplay Select, which will be available in at least five countries in 2022, beginning in Japan via the broadcaster WOWOW. By offering up to 450 hours of curated content, Viaplay aims to bring the content brand to at least 21 countries by the end of 2023, while the Viaplay app will be available in at least 16 countries by the same date. According to Anders Jensen, NENT Group President and CEO, "the uniqueness of Nordic content is creating significant global demand for this type of storytelling - and nobody delivers higher quality or volumes than us". Viaplay had 4.7 million subscribers at the end of the first quarter of 2022.

## **New business plans and strategic partnerships**

End of April, [Amazon](#) announced a strong expansion in India, introducing 41 new locally produced original series and movie titles for the region. Amazon plans to double its local investment in its streaming service Amazon Prime Video, which launched in India in 2017. So far, Amazon has invested more than 6.5 billion USD in the region.

In addition, end of April, [Netflix](#) signed a multi-picture partnership with Japan's Studio Colorido. Netflix is co-producing three feature anime films with Studio Colorido, including the previously announced feature *Drifting Home*, which will debut on the service September 16. According to [Reuters](#), Netflix plans to invest further in original anime, as anime has proven "a draw for Netflix in both Japan, where almost 90% of its users watch it, and globally, where half of users tuned in last year".

Early May, [Apple](#) announced that Apple Music will become available to Roku customers. Roku is a streaming device maker, offering access to streaming media content from online services. In the first quarter of 2021, Roku reported a total of around 61.3 million monthly active users in the US. As such, Apple music subscribers will be able to download the Apple Music app on any Roku device. According to the [TechChurch](#), Roku takes a 20% revenue share on channels on its platform; however, Apple and Roku did not publicize their revenue sharing agreement.

Finally, Amazon's [Kindle](#) will support the ePub format. The update is scheduled to take place in late 2022. By converting ePub files to a format that can be opened on the e-reader, Amazon's Kindle will be compatible with ePub, which is the most widely-used ebook format.

## **Additional readings for the May report:**

- Are you still watching? Netflix and the future of streaming, The Financial Times, 22 April 2022, [Link](#).
- In a market swamped with streaming services, Netflix's massive loss of subscribers is a big deal, The Conversation, 26 April 2022, [Link](#).
- Netflix lost subscribers, but it really lost something larger, The Conversation, 30 April 2022, [Link](#).

## Indicative sources

- EU Commission explains Data Act's legal implications to member states, EURACTIV, 4 May 2022, [Link](#).
- Writers riled by Amazon offering refunds – after readers finish ebooks, The Times, 3 April 2022, [Link](#).
- UK reveals TV reforms to regulate Netflix, sell Channel 4, Bloomberg, 28 April 2022, [Link](#).
- Netflix Loses 200 000 subscribers in Q1, predicts loss of 2 million more in Q2, Variety, 19 April 2022, [Link](#).
- HBO and HBO Max added 13 million subscribers last year, as Netflix's growth slowed, The Verge, 21 April 2022, [Link](#).
- Paramount+ to launch in UK and South Korea in June, with India set for 2023, The Hollywood Reporter, 3 May 2022, [Link](#).
- Spotify's subscribers rise to 182M despite Joe Rogan controversy, The Verge, 27 April 2022, [Link](#).
- Amazon unveils slate of 41 local shows and new rental services in India, as regional battle with Netflix and Disney heats up, NextTV, 30 April 2022, [Link](#).
- Amazon's Kindle with finally add ePub support, Engadget, 5 March 2022, [Link](#).
- Apple Music added to Roku devices, BroadbandTV News, 4 May 2022, [Link](#).

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