Can Disney Make Skinny Bundles Work?

Description

For the most part, the cord-cutting trend has been pretty straightforward: Streaming services like **Netflix** have become more popular, while legacy pay-TV services (read: cable and satellite) have suffered. But not all streaming services have done equally well. For all of their early promise, the services that attacked legacy pay TV most directly — by offering live, cable-like multichannel TV in a streaming format and at more attractive price points — have not grown as fast as their on-demand counterparts.

default watermark

But that hasn't stopped **Disney** (NYSE: DIS)-controlled Hulu from pushing its own multichannel streaming option, Hulu + Live TV. And impressive recent growth statistics raise the question: Can Disney make skinny bundles work?

Skinny bundle troubles

Streaming video in general has done well in the cord-cutting era, but live-streaming television services are still posting relatively meager gains in subscribers. Technical problems are partly to blame. While streaming video apps preload portions of videos as an insurance policy against inconsistent internet speeds — a practice called "buffering" — live feeds can only be buffered to the extent that services are willing to air them on a delay, because, of course, you can't buffer a video that hasn't been broadcast yet. There are also messy financial issues. A streaming multichannel service that wants to replicate the cable experience has to carry a bunch of individual channels while keeping the price low enough to undercut cable, and that can be difficult to do.

These factors and others have led to skinny bundles that struggle to draw even a fraction of the subscriber bases that their on-demand cousins have been able to build. Sling TV, owned by satellite TV company **DISH**, was the first of these "skinny bundle" services and has so far held onto the top spot in subscriber count. But Sling TV still only has 2.47 million subscribers, which doesn't hold a candle to the on-demand giants. Netflix, for example, has 60 million paying subscribers in just the U.S.

Here comes Disney

Sling TV isn't alone at the top anymore, however. Hulu + Live TV, which was launched in 2017 as "Hulu with Live TV," has reportedly been growing fast, and — according to at least one recent estimate — now sports a total of 2.4 million live TV subscribers, putting it in a virtual tie with industry leader Sling TV.

Hulu + Live TV isn't the only fast-growing competitor: There's also **Alphabet**'s YouTube TV, which has grown to boast 1.5 million subscribers. Nor is it the first service to challenge Sling TV for streaming TV supremacy; that was **AT&T**'s DIRECTV NOW, which many observers once expected to eclipse Sling TV by the end of 2018. But DIRECTV NOW's growth turned out to be a mirage, and by the end of 2018, the service was hemorrhaging subscribers. AT&T blamed the end of a marketing push and the expiration of promotional subscriptions, then posted two more subscriber losses in the next two quarters, and then rebranded the service as AT&T TV NOW.

So what makes Hulu + Live TV special? There are no guarantees, but there are some reasons to hope that Disney can do what others could not.

Hulu + Live TV's advantages

default watermark

Hulu + Live TV has a few key advantages, and they start with the parent company. (Disney owns the majority of Hulu and minority owner **Comcast** has given it operational control of its stake, which it plans to sell to Disney in the future.) Hulu is backed by a relatively deep-pocketed company, and not one that is hoping to offset existing and ongoing subscriber losses (as is the case with DISH and AT&T, both of which operate legacy pay-TV services). Hulu + Live TV doesn't have quite the tech-industry trust fund in the family that competitor YouTube TV does, but it's comfortable.

And Disney has other streaming holdings. Hulu + Live TV is, of course, under the same brand as Hulu and is part of a larger Disney streaming ecosystem that includes ESPN+ and will soon include Disney+. Disney's services have powerful bundling potential, and while Hulu + Live TV was left out of Disney's recent bundling announcement (Disney will offer Disney+, ESPN+, and Hulu for $12.99 a month), it could still appear in future bundles.

Besides, it already *is*Â a bundle of sorts. Hulu + Live TV's price of $44.99 per month is very typical of this space, but Hulu + Live TV includes a subscription to the regular on-demand Hulu service. While there are other skinny bundles with on-demand content — some services offer "live TV rewind" features and create de facto on-demand content from the last 24 or 48 hours of programming from the channels they carry, while others have separate on-demand libraries — none rival Hulu's reputation in on-demand streaming, nor can any match Hulu's original series and exclusives.

Hulu has to cut deals with the owners of the networks to carry their channels live on its app. In several cases, that means talking to a big company with lots of channels. And Disney, as it happens, is one of those companies. Disney owns ABC, Freeform, and Disney Channel, among other properties. And most important of all, Disney owns the popular and expensive ESPN. Content from ESPN can end up on ESPN+, which can be bundled with Hulu's on-demand side and is ripe for additional bundling options with Hulu's live TV arm.

Time will tell

All of this may or may not be a reason to believe in Disney’s skinny bundle at a time when skinny bundles as a concept may be destined for failure. But Disney’s live TV streaming service is better positioned than its peers to make a run at success in this dangerous business space. Maybe Disney will make skinny bundles work; if any company can, it can.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NYSE:DIS (The Walt Disney Company)

default watermark

Category

1. Investing
2. Tech Stocks

Tags

1. Syndicated

Date
2025/06/30
Date Created
2019/09/10
Author
stephen-lovely

default watermark