

prime video

Apple TV

hulu

Disney+

YouTube

The OTT Business Model Breakdown

The Key to Success from the Industry's Biggest Players

appli^caster

Streaming Success Comes Down to Agility

We've all heard about the streaming wars, with industry leaders fighting for their share of viewers and revenue in the OTT landscape. The battle rages on, but there are signs of a [shift](#)—companies are bundling offerings, learning from each other, and moving to more flexible business models to reach their audience.

These changing business models are at the heart of what OTT professionals can learn from industry giants like Netflix, Amazon, Disney, and others. Agility matters more than ever in a crowded market, and the ability to experiment with new revenue models can mean the difference between growth and decline.

Keep reading to learn more about the business model pros and cons, explore what the biggest brands are doing, and see an analysis on what's next for the industry.



YouTube



HBO Max



TV



Prime Video



Netflix



Paramou



Peacock



Hulu



Roku

Business Model

Pros & Cons

We all know the basic OTT business models, but each comes with its own advantages and disadvantages for companies to consider.



SVOD



Subscription Video On Demand



Paying subscribers



An efficient, familiar model



Vulnerable to subscribers leaving when prices increase or content doesn't meet expectations



AVOD

Advertising Video On Demand

Ads

Easy to find new viewers

Ads can be a turnoff and AVOD businesses make less money per customer



FAST

Free Ad-Supported TV

Ads for scheduled programming

Longer viewing times and less decision fatigue. Reuse old content to create new revenue sources.

May make it difficult to reach a younger, more plugged-in audience



TVOD

Transactional Video On Demand

Renting or buying

Straightforward model that can be great for big releases

Consistent revenue is often difficult to achieve

The Future Is in Hybrid Models

So what are the biggest names in streaming doing with their business models? In short, a lot. SVOD used to rule, but companies are now relying on hybrid models to reach audiences. Here's a breakdown:

| | SVOD | AVOD | FAST | TVOD |
|--------------------|------|------|------|------|
| Amazon Prime Video | ✓ | ✓ | ✓ | ✓ |
| Disney + | ✓ | ✗* | ✗ | ✗ |
| HBO MAX | ✓ | ✓ | ✗ | ✗ |
| Apple TV+ | ✓ | ✗* | ✗ | ✓ |
| Paramount + | ✓ | ✓ | ✓ | ✗ |
| Peacock TV | ✓ | ✓ | ✓ | ✗ |
| Hulu | ✓ | ✓ | ✓ | ✗ |

*These brands don't use AVOD yet, but that will change soon

Brands Are Quickly Evolving to Keep Up

Industry business models are rapidly changing to find what's working (and what's not). Here are a few recent takeaways from the brands above:

NETFLIX

We can't talk about streaming without talking about Netflix. The service has traditionally towered over the competition, but that's changing. In Q2 2022, Netflix [lost almost one million subscribers](#), despite spending \$4.7B on additional streaming content. This has led them to enter the AVOD game, announcing they'll offer an ad-supported [tier in 2023](#) with a focus on [maintaining a seamless UX](#).

prime video

An Amazon Prime membership includes access to Prime Video, and memberships are booming. Amazon is quickly gaining on Netflix—Prime users surpass [200 million](#) (and that's in 2021!). They're well positioned to add new services like channel subscriptions, film rentals, and purchases that can increase revenue.



Disney+

Disney+ is backed by a massive content empire, and it shows. Disney owns Marvel (not to mention the Star Wars franchise and 20th Century Fox), offers Hulu and ESPN+ bundles, and is investing billions in content. In an effort to reach even more viewers, they'll [launch AVOD](#) by the end of 2022. Will they consider a FAST channel to expand even further?

HBOmax

In summer 2021, HBO Max bet on an aggressive AVOD model [before its competitors](#), and it's paying off. Unlike other AVOD players, HBO Max didn't limit its inventory to select partners, opening up spots to the entire marketplace. Subscribers continue to increase by millions each quarter, and the company isn't slowing down. Could a FAST channel be in their future as well?



Apple TV+

Like Disney+ and Amazon Prime Video, Apple TV+ is backed by a huge company and the resources that come with it. The streaming service has [built on its SVOD model](#) by offering longer free trials, and is investing heavily in original programming. They're also the only industry heavyweight without a current or upcoming AVOD offering. Stay tuned to see if that changes.

Paramount+

Like HBO Max, Paramount+ is setting itself apart with a [robust AVOD approach](#), plus multiple FAST channels through Pluto TV. The streaming service recently announced its new [Showtime bundle](#), and continues to emerge as an innovative presence in the market. As they build on their business model flexibility, it will be exciting to see how they continue to emerge from the competition.

peacock

Don't count out Peacock TV—along with Paramount+, Peacock has made up [most of the streaming subscription growth](#) since 2019 thanks to smart social media advertising and in-demand content. Owned by NBCUniversal, [Peacock TV's FAST offering](#) has helped account for the biggest share of new FAST users last year.

hulu

Hulu has big name recognition as one of the first to enter the streaming wars, but [subscriberhip and original content has struggled](#) to keep up. That said, Hulu was acquired by Disney in 2019 and still has a huge stake in the FAST market, so time will tell if they can be agile enough to stay in the race.

What's Next for OTT Business Models

The streaming industry is entering a new phase, one that must respond to a glut of content, changing economy, and viewer expectations. Analyzing industry heavyweights reveals that one of the keys to success is **business model agility**. If media companies can't respond to an ever-changing environment, they'll get left behind.

1 The Customer Has Control

There's never been more content for viewers to choose from, and it's all coming at a time of economic uncertainty. Customers are weighing content against their budgets, and media companies need to stay agile and offer options that work for them—enter FAST and AVOD.

2 FAST Is Growing

It could only be a matter of time until more brands launch FAST channels—FAST streaming penetration in the U.S. is [up 92.5% YoY](#) (compared to AVOD's 24.3% and SVOD's -1.5%). Disney+ and HBO Max in particular seem ripe for this model.

3 It's Not Just About SVOD Anymore

As if the previous stats weren't enough, it's clear from Netflix and Disney+'s move to AVOD that it's no longer all about paying subscribers. Reaching more customers requires a diverse approach that offers a range of pricing options.

Applicaster helps businesses grow every day, with a flexible platform that has the tools to reach new audiences and markets, quickly test different revenue models, and maximize the impact of advertising and subscriptions.

[Zapp V6](#), our latest product release, includes new features and enhancements for unparalleled agility. **Schedule a demo to see it in action.**

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