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Consumer Morsel

Streaming: Season 2

27 August 2024

Key takeaways

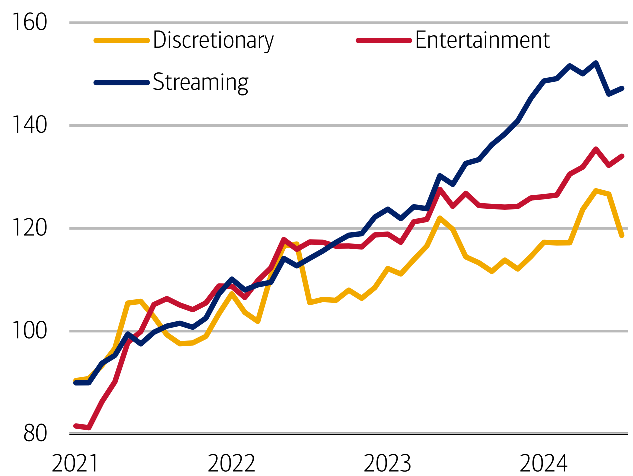
- Spending on streaming services appears to have topped out in Bank of America internal data, and the growth in households paying for services has slowed.
- These trends likely reflect growing maturity in the streaming market and the waning impact of password crackdowns by streaming service providers. But we also find that households may be reluctant to add services. And within the data there are some signs of increased churn, with a rise in the number of households reducing their streaming spending.
- What's next? From here, the overall consumer spending story will be important. However, as some consumers become more value-focused, competition between streamers may heat up.

New season opener

Earlier this year, we took a look at streaming subscriptions and saw little evidence of consumers cutting back (see Consumers binge on streaming spending). In January 2024 the share of households with streaming bills of more than $100 a month was rising. But *fast forward* to today, when slowing overall consumer spending is taking center stage and customers are on the hunt for value in things like groceries (see: Value shop 'til you drop), restaurants (see: Quantity is the new quality) and apparel (see: Trading down is the new dressing up), we ask are US consumers are now cutting back on streaming, too?

When we look across all payment channels in Bank of America internal data (some streaming subscriptions are paid via ACH so this is better than just looking at debit and credit cards), we find some tentative signs of a slowdown in total streaming spending this year (see Exhibit 1). And the year-over-year (YoY) growth in the number of households with one or more streaming services has also decelerated over 2024 (Exhibit 2).

Exhibit 1: There are some tentative signs of a pull-back in total streaming spending in 2024
Aggregate spending on select categories (indexed, 2021 average = 100, 3-month moving average)



Source: Bank of America internal data.
Entertainment spending includes spending on streaming, cable television services, tourist attractions, movie theaters and theme parks.

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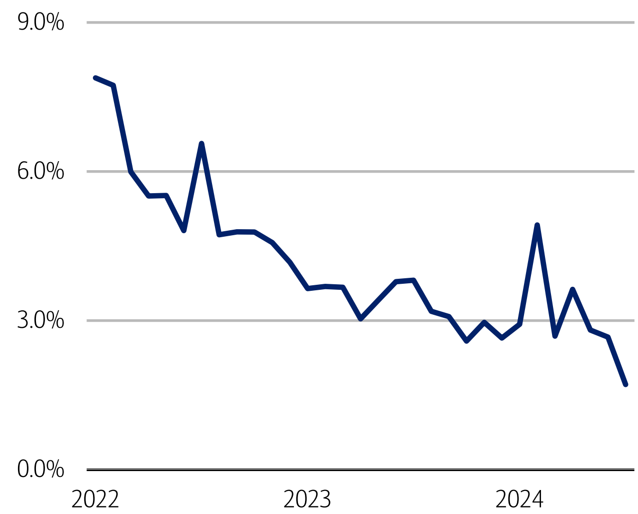
Exhibit 2: There is also a slowdown in the growth of households with one or more streaming payments per month
The number of households with a deposit account and streaming payment (% YoY)



Source: Bank of America internal data

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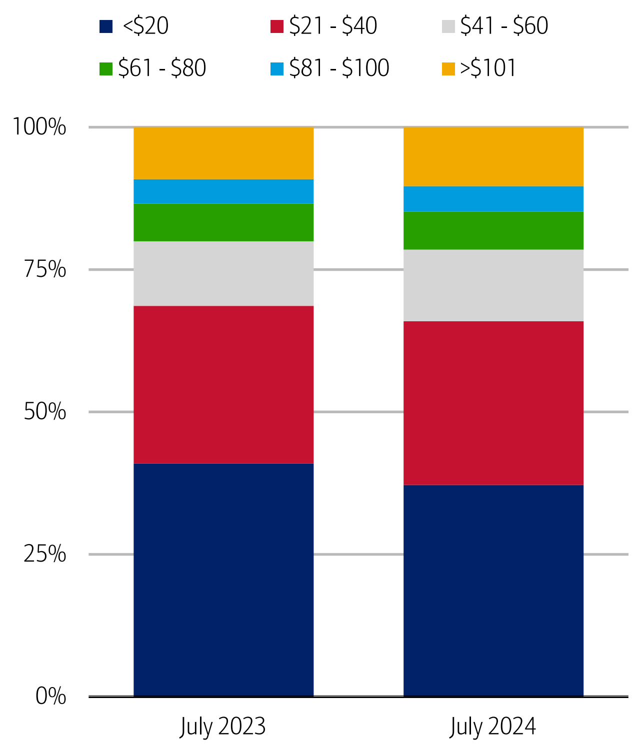
Mid-season lull?

This slowdown in the growth of households with streaming payments as well as the slowdown in spending on such subscriptions may reflect streaming becoming an ever more mature part of the entertainment landscape. Additionally, the impact of the crackdown by streaming services on password-sharing may be starting to wane, after the initial boost in spending and customer growth.

But we also wonder: are customers trimming their streaming spending to help manage their finances? At face value the answer appears to be 'no.' Exhibit 3 and Exhibit 4 show how the distribution of households' streaming spending has changed over the past year and, if anything, people are paying slightly more. Around 10% of households are paying more than $100 a month for their streaming services in July 2024, up around one percentage point in July of last year. Also, the per household average monthly spend on streaming rose on average by 9% YoY in July 2024.

Exhibit 3: Around 10% of households pay over $100 a month for streaming services

Share of households making streaming payments by average monthly amount (%)



Source: Bank of America internal data

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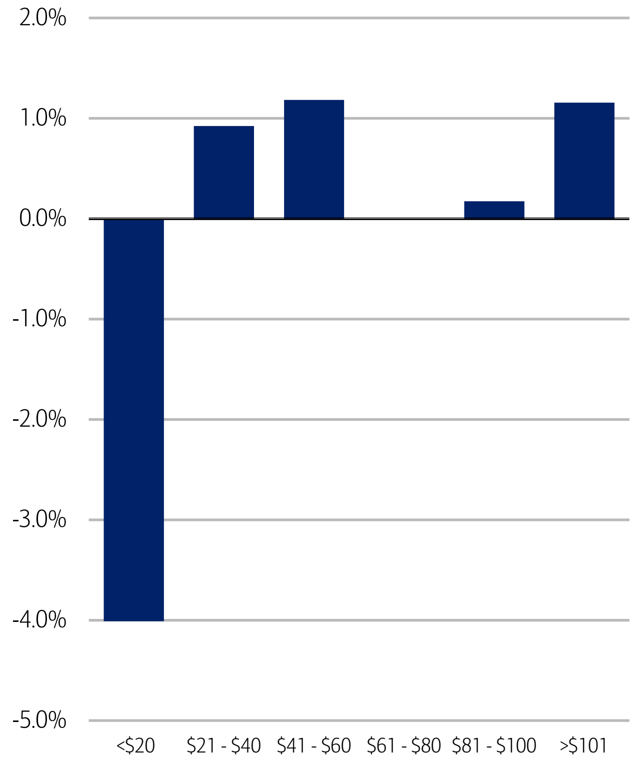
Exhibit 4: There is a small rise in the share of households paying more for streaming

Change in the share of households making streaming payments by average monthly amount, July 2023-July 2024 (%)



Source: Bank of America internal data

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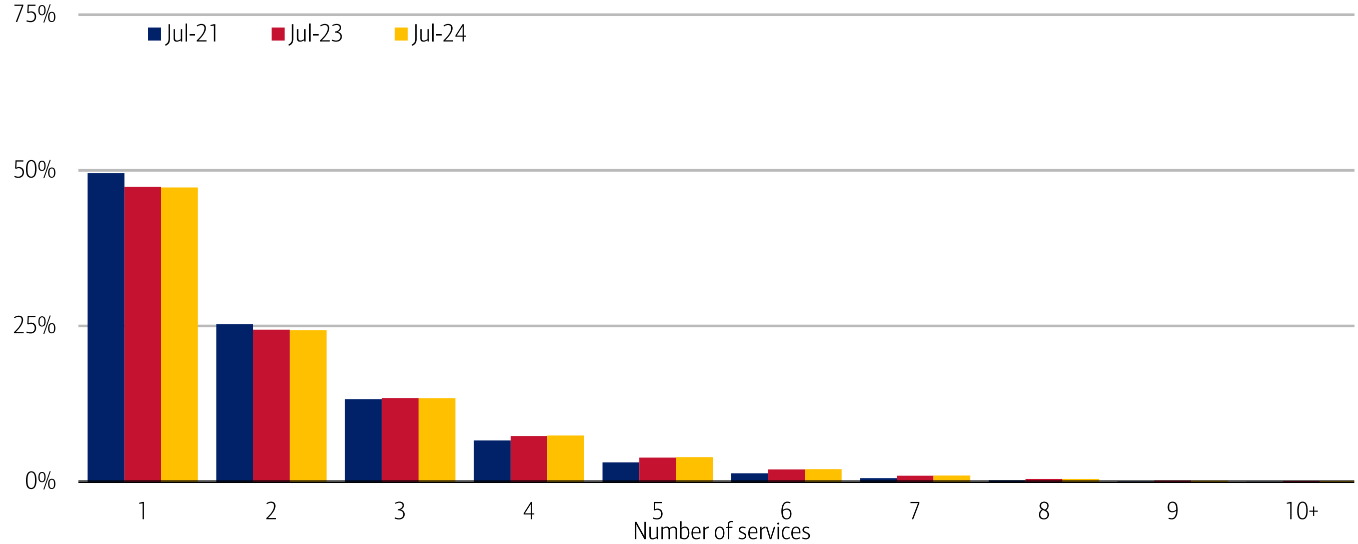
Cliff hanger finale: Is there appetite for more services?

But when we look at the number of monthly household payments to different streaming providers as a guide to their number of subscription services, we find that households don't appear to be adding many new services.

In fact, according to Bank of America internal data, many households appear to pay for only one service per month (Exhibit 5) and while there has been some upwards drift in the share of households with four or more services compared to July 2021, this appears to have largely happened prior to July 2023. This suggests to us that the overall increase in streaming spending per household is more likely to be due to price increases and password-sharing crackdowns by streaming providers than people choosing to add new services.

Exhibit 5: There has been a very small rise in the number of households with four or more services compared to July 2021, but this appears largely complete by July 2023

Share of households by number of payments of different streaming service providers per month (%)



Source: Bank of America internal data

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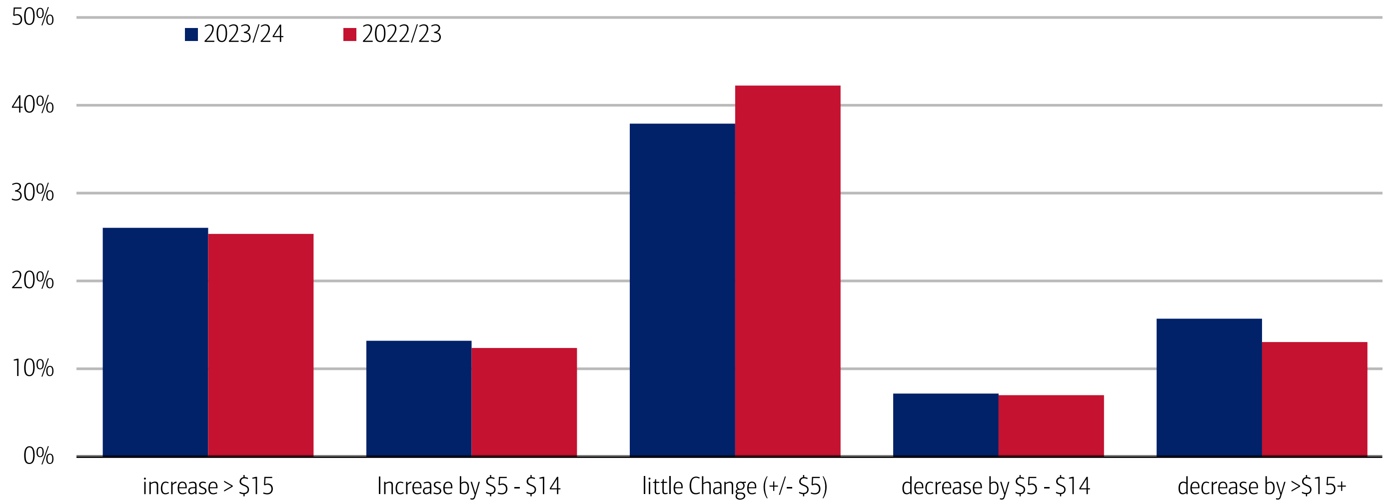
There also appears to be some signs of increased 'churn' in subscriptions. The proportion of households that have seen more than a $15 rise in their average monthly bill over January-July 2024 compared to January-July 2023 (a rough proxy for adding a service over the last year) and those that have seen average monthly bills falls by $15 (a proxy for dropping a service) over this same period is rising in **both** cases. So, while some households may be adding services, this appears to be more or less balanced by the number of households removing services.

Exhibit 6: There appears to be an increase in the churn in households adding and removing services

Share of regular streaming* households with YoY changes in their January-July average monthly streaming payments by amounts shown (%)



Source: Bank of America internal data. *Households with streaming payments observed every month since January 2021.

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Overall, the streaming market remains a dynamic one, with consumers often re-appraising their services in the search for value. Some of this apparent churn could also reflect pricing developments for streaming. Major streaming services have been raising prices and introducing lower priced ad-supported tiers, potentially leading some consumers to see significantly higher bills, while others opt to reduce their streaming bills by taking ads.

Overall, in our view, the apparent rise in those looking to trim total streaming bills will be worth keeping an eye on. It's potentially a warning to the streaming industry— it could be that some consumers are becoming more cost conscious and could be prepared to cut their streaming services or drop to ad-supported services more readily going forward.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Bank of America credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards is excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

If applicable, the consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level.

If applicable, any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Any reference to aggregated streaming spend include total credit card, debit card, ACH, or bill pay.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Jon Kaplan

Senior Vice President, Digital and Data

Disclosures