IN THE NEWS

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WHY YOU'LL END UP PAYING FOR TV'S FIGHT AGAINST NETFLIX

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As more streaming services are launched they'll chase costly original programming. Guess who will pay for that?

This week's bump in the price of Netflix in Canada and CBS's announcement that it would launch its All Access streaming services here next year suggest that consumers might end up shelling out more for online content even as the lineup of digital viewing choices expands, industry watchers say.

After burning through cash in its most recent quarter as it invested in content to fend off challengers, U.S.-based Netflix announced Thursday that it is hiking prices by a dollar to $10.99 a month for new members in Canada effective immediately, and will do the same for existing users in the coming weeks.

The increase was unveiled after Disney said it would remove its content from Netflix and launch its own direct-to-consumer service. The company in a statement said the content move is specific to U.S. Netflix members who will continue to have access to Disney films on the service through the end of 2019, including all new films that are shown theatrically through the end of 2018.

"We continue to do business with the Walt Disney Company globally on many fronts, including our ongoing relationship with Marvel TV," the statement adds.

With the CBS announcement — and once U.S. video on demand service Hulu follows suit as expected — all the major U.S. broadcasters will be streaming directly to Canadians, technology commentator Michael Geist wrote in a recent online blog. Meanwhile, U.K.-based DAZN in July said that it would offer its sports streaming bundle here.

While a single subscription-based service still represents a fraction of the average cost for a cable or satellite TV package, streaming providers such as Netflix will continue to nudge up prices even as more mainstream media companies take the streaming plunge, said Brahm Eiley, president of Victoria-based Convergence Consulting.

Meanwhile, the growth in options raises the possibility that consumers will binge on streaming services — particularly since they can typically be set up and cancelled without initiation charges or penalties — which could push overall costs higher than those paid for a basic cable subscription.

But such growth also highlights the potential for what FX Networks CEO John Landgraf has dubbed the era of peak TV, where a glut of content choices leads to viewer fatigue and even a pull-back on services.

"Once people start to choose from a sea of content, they reach a point of exhaustion," James McQuivey, the lead analyst tracking the development of digital disruption at Forrester Research said in an online post.

Put another way, said Ryerson University instructor Irene Berkowitz, "they can't manufacture more time" for people to watch.

With more and more players streaming into the market due to what CBS CEO Leslie Moonves calls the Netflix envy effect, some analysts have speculated about irrational exuberance and winners and losers in a sector that could become rife for consolidation.

But Canada remains far less saturated than the U.S., even with the advent of new offerings, and as such Eiley said more limited domestic competition has given conventional TV distributors "more time to milk the traditional model."

While the U.K.'s Ovum Research this week said that by year end more than 20 per cent of audience viewing hours will be delivered via the Web, the latest audience survey from Media Technology Monitor shows that 75 per cent of Canadians still have a paid TV subscription.

And a separate report from Media in Canada said the number of Canadians watching online video remains stable after a big jump in 2015.

That study, which gathered responses from 4,000 Anglophone Canadians in fall 2016, found that 83 per cent of respondents were online video viewers, a total that has remained virtually unchanged over the last two years. The most popular kind of online video content was on YouTube.

Nevertheless, there's speculation that the arrival of U.S. and U.K.-based streaming services could spur domestic competitors such as Bell to add to investment in online content.

But creating original content to differentiate your streaming service in increasingly crowded marketplace costs money, as Netflix has shown by creating exclusive series like House of Cards.

Netflix has also reportedly signed comedian Chris Rock to a $40 million (U.S.) contract and paid Jerry Seinfeld $100 million for two stand-up specials and rights to his series Comedians in Cars Getting Coffee, costs that could ultimately be passed down to consumers.

Analysts note that a good chunk of the TV content seen in Canada is U.S. produced and licensed by domestic service providers such as Corus, Bell and Shaw.

Bell Media, for example has rights to the CBS All Access exclusive TV series Star Trek: Discovery which will air on the company's CTV English-language conventional TV network in the fall before it finds its way to Crave TV, Bell's digital TV subscription service.

Eiley suggested that the pending expansion of the CBC's digital content offerings could have a big impact on any ramp up of online Canadian content spending. The public broadcaster is expected to roll out new features and services by next March that will offer CBC channels streamed on demand and include new technology that replaces broadcast ads with digital versions.

Richard Kanee, the CBC's head of digital for English services, said the offering will introduce a registration feature and a paid subscription for those who want CBC content without ads.

He said additional investment in original programming tailored for online viewing and targeted at specific age groups such as millennials would "follow the audience" and be shaped by feedback from registrants.