Bundling and Streaming in Video Entertainment

Preliminary - Do not cite or circulate

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Abstract

Over the last decade, market share in video entertainment services has shifted from traditional cable bundles towards direct-to-consumer (DTC) streaming services such as Netflix and Disney+. This paper examines the economics of bundling and vertical integration in this context. We measure the effect of such a shift on consumers and firm profits using a model of viewership and subscription choice by consumers together with content pricing and content investment by firms. We estimate the model using data on viewership, subscription market shares, pricing, content availability, and content expenditures. We use the model to evaluate the welfare effects of new streaming services, to predict long run equilibrium prices of streaming services, and to compare welfare outcomes with disaggregated streaming services to those in a world of bundled streaming.

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