A GREEDFLATION SPOTLIGHT

STREAMFLATION

A STEADY STREAM OF PRICE HIKES: HOW STREAMING EXECUTIVES PUT PROFIT OVER CONSUMERS

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INTRODUCTION

Millions of American families who pay for at least one streaming service[1] for their favorite music, shows, or movies are noticing a concerning trend. Their favorite shows and movies are leaving platforms at the end of the month. Advertisements are played more frequently. Password sharing is more restricted between family members and loved ones. All while the prices are going up or platforms are moving to tiered memberships that have families paying more for less.

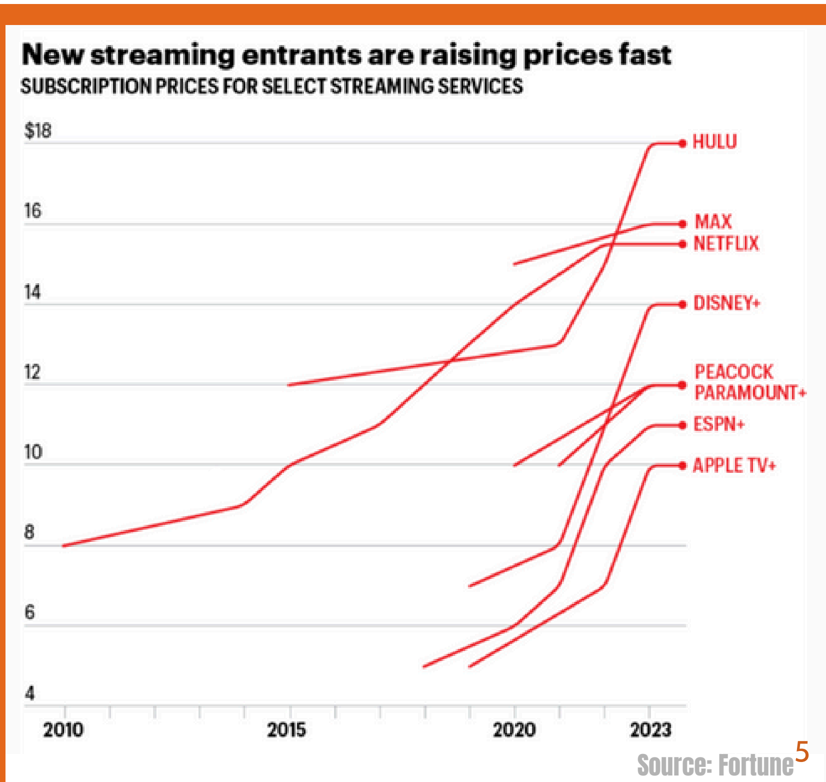
Over the past year, Senator Casey has investigated the burdens that rising costs place on American families, especially the concept of greedflation, a practice where corporations increase prices and their profits, using inflation as a cover for their actions. Even as inflation has fallen, families are still feeling squeezed because the costs of many everyday household items and groceries remain high. Corporations are also getting creative in their profit-making practices by engaging in shrinkflation, or decreasing size while charging the same or more for their product.

As streaming platforms exploded in popularity, executives in the entertainment and music industries employed their own mechanisms to increase profits. Streamflation is the process in which streaming platforms hike their profits by charging higher prices while delivering less content and more restrictive services. This is just one more scheme by which corporations are lining their own pockets while raising costs on American families who are seeking quality products for a fair price. This report will outline how streamflation allows corporations to profit off American families.

PRICE INCREASES

Many families use streaming platforms for education and entertainment. Americans spend over two and a half hours per day watching TV,[2] and according to Nielsen, 40 percent of that time is now spent on streaming platforms.[3] As a result of this new normal, streaming companies have become emboldened to raise their prices.

In fact, in recent years, every single streaming platform, from Netflix and Disney Plus, to Starz and Paramount Plus, has raised its prices.[4]



Spotify raised prices twice in one year, resulting in a 20 percent increase between 2022 and 2024,[6] despite their CEO stating that the cost of creating content for Spotify is "close to zero."[7] Netflix has indicated that prices will continue to rise, with the company's co-CEO stating that Netflix does not have "a set position on a ceiling" when it comes to pricing.[8] Disney's CEO, Bob Iger, also finds no issue with increasing prices and charging families more —with Iger stating that it was "heartening" that consumers stuck around despite a round of price increases that left consumers facing bills of three dollars more per month.[9]

> The reality for Americans who are already subscribers to these services is that they are left with little choice but to absorb the new costs, adjust to new advertisements, or cancel services.

Price increases have a domino effect—for instance, after Spotify, Apple Music, and other music streaming platforms increased their prices in the spring of 2024, Pandora Premium followed suit, upping their prices to the new industry-standard, $10.99 per month for an individual plan.[10] The market is rapidly escalating—squeezing families and pushing Americans to spend more without any change in the product.

LESS FOR MORE: RULES AND RESTRICTIONS

Shrinking Content Libraries: New & Old

Americans used to be restricted to the shows and movies that were playing on their local channels and the music on the radio; streaming changed all that. People now have extensive options when it comes to the music they can stream, the shows they can watch, and the movies they can play for movie night. That is, unless their streaming platform decides to limit access to or remove content. For consumers, this may mean losing their favorite show after they have committed to a monthly, or yearly, membership.

Content on platforms like Disney Plus, Paramount Plus, and Max, formerly HBO Max, have become increasingly unpredictable. For instance, despite Max CEO's claims that consumers "will find what they want, when they want it [on Max]," [11] the company does not intend to retain their own HBO and Max content moving forward, with the CEO stating, "The idea that everything a company produces will be in one spot forever and ever, for $15 a month, for eternity, [...] It's a nice idea, but it's not viable."[12]

This may be especially noticeable if a consumer is a Paramount Plus subscriber. As of October 2023, the platform dropped 64 percent of its movie titles in just one year.[13] Comparatively, Max dropped 15 percent of its movie catalog over the same period.[14] Unfortunately for Americans, the selections that are vanishing may be the very reason why they signed up—despite describing itself as “The Home of Star Trek,” Paramount Plus removed 10 of the 13 Star Trek feature films from the platform for the first six months of 2024.[15]

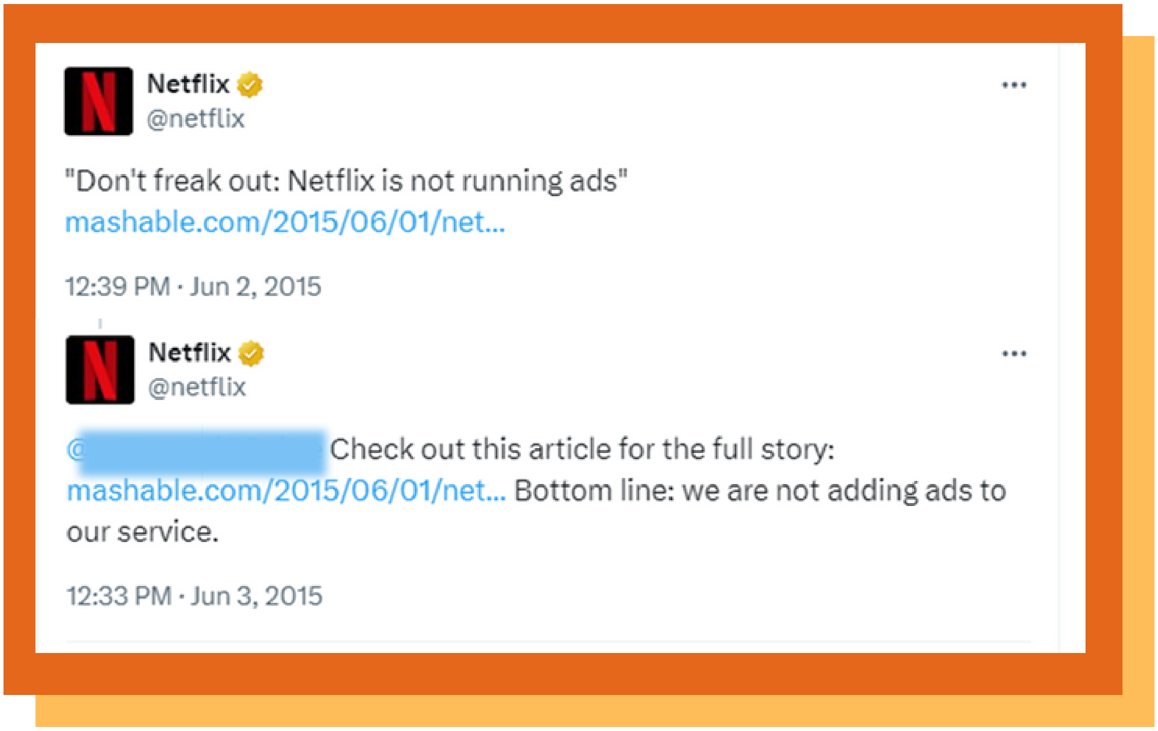
> Despite increasing prices, corporations are planning to spend less on content for viewers. Reducing spending on programming has become “**a top corporate priority**” for Paramount.[16]

Advertisements

The early promise of streaming was two-fold: consumers could save money by cutting the cord and switching to streaming, but they were also getting a better viewing experience without advertisements. In 2009, Netflix posted on a social media platform, “No surprise here...most people [...] prefer an ad-free viewing experience.”[17]

In 2015, Netflix doubled down on its ad-free nature, telling Mashable, “We are not planning to test or implement third-party advertising on the Netflix service.”[18] Netflix tweeted the Mashable article multiple times, proclaiming “Don’t freak out: Netflix is not running ads”[19] and “Bottom line: we are not adding ads to our service.”[20] In 2019, Variety reported that Netflix told investors:

> “‘We, like HBO, are advertising free,’ the company said in its letter to investors. ‘That remains a deep part of our brand proposition; when you read speculation that we are moving into selling advertising, be confident that this is false. We believe we will have a more valuable business in the long term by staying out of competing for ad revenue and instead entirely focusing on competing for viewer satisfaction.’”[21]



Yet, in November 2022, Netflix reversed course and launched "Netflix Basic With Ads," which Variety termed an "about-face by Netflix."[22] In July 2023, Netflix eliminated its cheapest ad-free tier for new subscribers[23] and announced in July 2024 that it would kick remaining subscribers off that plan.[24]

Like Netflix, Disney Plus[25] and Amazon Prime Video[26] launched without ads. Nowadays, the anti-advertisement spirit is dead at the streaming giants. By 2023, Disney CEO Bob Iger told investors that "We're obviously trying with our pricing strategy to migrate more subs to the advertiser-supported tier."[27]

Password Sharing

Despite once proclaiming that "Love is sharing a password,"[28] in 2023, Netflix began instituting extra monthly fees for subscribers who share passwords outside their households.[29] Following Netflix's password sharing crackdown, other streaming titans followed suit. On a May 2024 earnings call, Disney CEO Bob Iger said:

> "We feel quite bullish about it. Obviously, we're heartened by the results that Netflix has delivered in their password sharing initiative and believe that it will be one of the contributors to growth."[30]

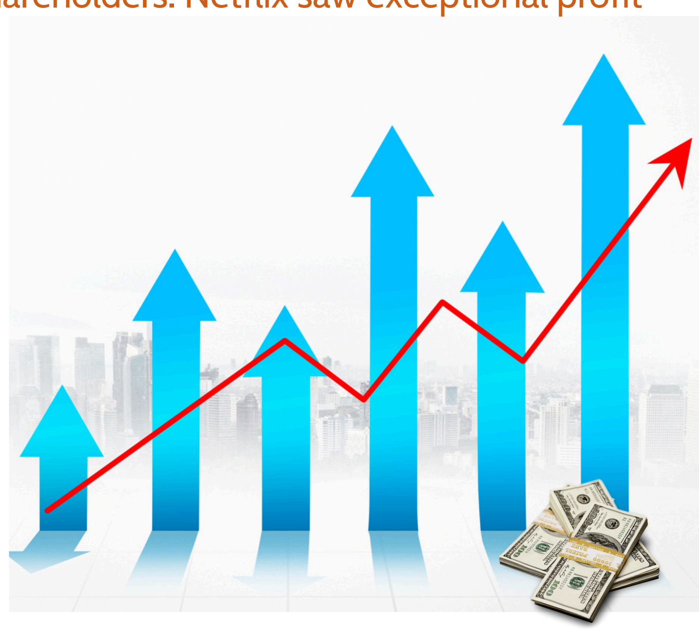
Warner Bros. Discovery also credited Netflix's password sharing strategy as an inspiration for its plan to restrict password sharing by Max users, with one executive stating, "obviously Netflix has implemented [that] extremely successfully. We're going to be doing that starting later this year and into '25, which is another growth opportunity for us." [31]

Looking back on Netflix's role in ending password sharing, Netflix co-CEO Greg Peters said that Netflix viewed the password sharing crackdown "as a form of substitute price increase" and paused price increases during its implementation, adding that now that it was done, Netflix would be "able to resume our standard approach towards price increases."[32]

CORPORATE PROFITS & CEO PAY

While consumers lose with all these changes, restrictions, and cost increases, the winners are clear: corporate executives and Wall Street shareholders. Netflix saw exceptional profit growth during and after the pandemic.

The company's annual net income grew 174 percent from 2019 to 2021,[33] making it one of the companies that profited most from the pandemic, according to *Yahoo!*.[34] But this huge growth was not enough for Netflix, which announced price hikes in both 2022 and 2023.[35] Netflix profit for Q2 of 2024 "rose 44% from last year to $2.15 billion."[36] This has boded well for Netflix's two co-CEOs, who, in 2023, brought in $89.9 million collectively in compensation.[37]



Other industry CEOs saw similar levels of compensation—in 2023, Disney's CEO brought in $31.6 million[38]and Warner Bros. Discovery's CEO brought in $49.7 million, an increase of approximately 26 percent over the year prior.[39]

Besides compensating executives, much of the revenue from new consumer charges is being sent directly to Wall Street.

In early 2024, Disney announced a "massive" 50 percent increase in its stock dividend,[40] while Apple announced a "record $100 billion-plus" stock buyback.[41]

Streaming executives may dispute their profitability and tout various challenges the entertainment industry faces in delivering content, but it is clear where all those extra subscription fees are going. As Disney's CEO stated in an earnings call, password sharing restrictions are "a necessary and very, very productive next step [...] to get to the double-digit [profit] margins."[42]

CONCLUSION

Streamflation is costing American families. From CEO pay to stock buybacks, the industry is profiting off the backs of working families. Streamflation is just another example of how corporate greed is shaping the American economy.

Senator Casey is working to expose the actions of corporate CEOs and their efforts to fleece American families by releasing a series of reports on greedflation and introducing legislation to crack down on these schemes. It is time to put a stop to greedflation in all its forms.

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