

Passing on your password? Streaming services are past it

May 14 2021, by Mae Anderson



In this Monday, March 25, 2019, file photo, Apple CEO Tim Cook speaks at the Steve Jobs Theater during an event to announce new products, including Apple's steaming TV, in Cupertino, Calif. Streaming services ranging from Netflix to Amazon to Disney+ and others want us to stop sharing passwords. That's the new edict from the giants of streaming media, who are looking to discourage the common practice of sharing account passwords without alienating subscribers who've grown accustomed to the hack. (AP Photo/Tony Avelar, File)

Many of us were taught to share as kids. Now streaming services ranging from Netflix to Amazon to Disney+ want us to stop.

That's the new edict from the giants of streaming media, who are hoping to discourage the common practice of sharing account passwords without alienating subscribers who've grown accustomed to the hack.

Password sharing is estimated to cost streaming services several billion dollars a year in lost revenue. That's a small problem now for an industry that earns about \$120 billion annually, but something it needs to address as spending on distinctive new programming skyrockets. Amazon's upcoming "Lord of the Rings" series will reportedly cost \$450 million for its first season alone—more than four times the cost of a season of HBO's "Game of Thrones."

"Frankly the industry has been gravitating toward that. It's a question of when, not if," said CFRA analyst Tuna Amobi. "The landscape seems to be pretty set in terms of these new entrants, so it seems like a good time to get a much better handle on subscribers."

It's a tricky balance. The video companies have long offered legitimate ways for multiple people to use a service, by creating profiles or by offering tiers of service with different levels of screen sharing allowed. Stricter password sharing rules might spur more people to bite the bullet and pay full price for their own subscription. But a too-tough clampdown could also alienate users and drive them away.



In the Tuesday, Feb. 28, 2017, file photo, YouTube CEO Susan Wojcicki speaks during the introduction of YouTube TV at YouTube Space LA in Los Angeles. Streaming services ranging from Netflix to Disney+ and others want us to stop sharing passwords. That's the new edict from the giants of streaming media, who hope to discourage the common practice of sharing account passwords without alienating their subscribers, who've grown accustomed to the hack. (AP Photo/Reed Saxon, File)

In March some Netflix users began to get popups asking them to verify their account by entering a code sent via email or text, but also gave them the choice of verifying "later." Netflix did not say how many people were part of the test or if it was only in the U.S. or elsewhere.

"They'll be taking a very cautious approach to it," Amobi said. "Handled

the wrong way, there's always a downside to a move like this."

The test comes at a crucial time for Netflix. Last year's pandemic-fueled subscriber growth is slowing. It remains the streaming service to beat with more than 200 million subscribers globally. But a bevy of new competitors have emerged, including Disney+, which is cheaper and has quickly snapped up 100 million subscribers in less than two years.

When Disney+ launched in 2019, then CEO Bob Iger said the service was modeled on sharing.



In this Wednesday, Nov. 13, 2019, file photo, a Disney logo forms part of a menu for the Disney Plus movie and entertainment streaming service on a computer screen in Walpole, Mass. Streaming services ranging from Netflix to Disney+ want us to stop sharing passwords. That's the new edict from the giants

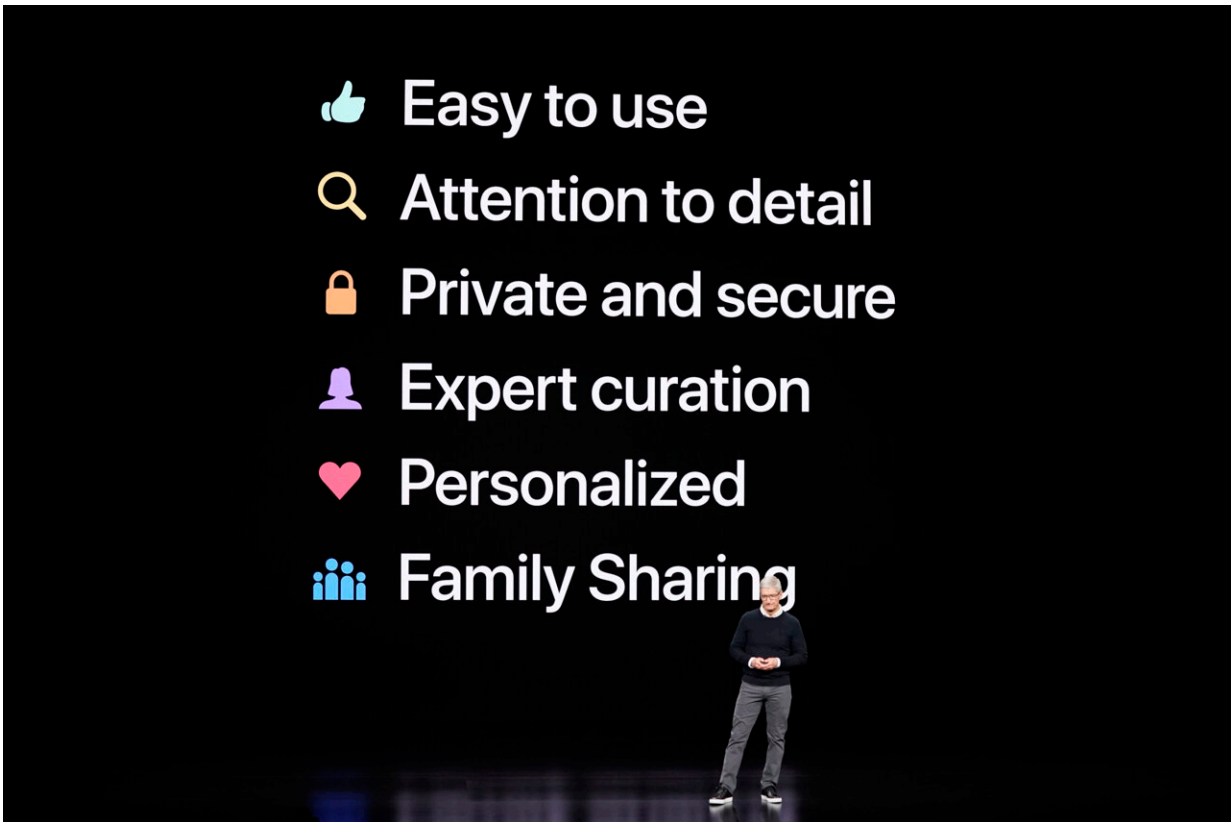
of streaming media, who hope to discourage the common practice of sharing account passwords without alienating their subscribers, who've grown accustomed to the hack. (AP Photo/Steven Senne, File)

"We're setting up a service that is very family-friendly, we expect families to be able to consume it—four live streams at a time, for instance," he said in a CNBC interview. "We'll watch it carefully with various tools, technology tools, that we have available to us to monitor it. But it's obviously something we have to watch."

Roughly two in five online adults have shared passwords to online accounts with friends or family members, according to the Pew Center for Internet and Technology. Among millennials it's even higher: 56% of online adults ages 18- to 29 have shared passwords.

"With the cost of all the streaming platforms bought together equaling a cable bill—which it was supposed to eliminate—I think it's a great thing to be able to share your login to help family and friends save a few bucks," said Ryan Saffell, 39, an IT director from Las Vegas.

Another study found more than a quarter of all video streaming services are used by multiple households. That includes a family or friend sharing the account they pay for outside of the household, or, less commonly, several households splitting the cost. And 16% of all households have at least one service that is fully paid for by someone else according to the study by Leichtman Research Group. That increases to 26% for 18- to 34-year-olds.



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Sharing or stealing streaming service passwords cost an estimated \$2.5 billion in revenue in 2019 according to the most recent data from research firm Park Associates, and that's expected to rise to nearly \$3.5 billion by 2024.

That may be a small fraction of the \$119.69 billion eMarketer predicts

people will spend on U.S. video subscriptions this year. But subscriber growth is slowing, and costs are increasing.

Companies are investing dizzying sums to produce own original movies and shows and stand out from competitors. Disney+ said it'll spend up to \$16 billion a year on new content for Disney+, Hulu and ESPN+ by fiscal 2024. Netflix is expected to spend \$19 billion on originals this year, research firm Bankr estimates.

"Programming spend is doubling, or in some cases tripling and quadrupling, so you have to fund it somewhere." CFRA's Amobi said. "Most services are looking at losses for the next few years before they break even. So they can use every subscription that they can get."



This Aug. 13, 2020 file photo shows a logo for Netflix on a remote control in Portland, Ore. Streaming services ranging from Netflix to Disney+ want us to stop sharing passwords. That's the new edict from the giants of streaming media, who hope to discourage the common practice of sharing account passwords without alienating their subscribers, who've grown accustomed to the hack. (AP Photo/Jenny Kane, File)



This Monday, July 17, 2017, file photo shows the Netflix logo on an iPhone in Philadelphia. Streaming services ranging from Netflix to Disney+ want us to stop sharing passwords. That's the new edict from the giants of streaming media, who hope to discourage the common practice of sharing account passwords without alienating their subscribers, who've grown accustomed to the hack. (AP Photo/Matt Rourke, File)

Another way to finance all this new programming is to raise prices. Netflix hiked the price of its most popular plan by \$1 last October, to \$14 a month. Disney+ followed in March with its own \$1 a month increase, to \$8.

Josh Galassi, a 30-year-old Seattle resident who works in public relations, says everyone he knows shares passwords. If companies start to crack down, he said he would subscribe to the services he uses, but only if the shows he likes are on the service, like "The Good Fight" on Paramount+. He does that with Starz' "Outlander," subscribing only when the show is on and then canceling.

"One rule I have is I only share passwords with close friends or family members," Galassi said. "Or somebody I know that has a service I don't want to pay for, I'll ask them if they're willing to share in exchange for something that I pay for."

Netflix played down its March user verification test, telling investors it was a continuing effort and nothing new. Company co-founder and co-CEO Reed Hastings promised not to spring any changes on customers too abruptly.

"We would never roll something out that feels like 'turning the screws,'" Hastings said in an April call with analysts. "It's got to feel like it makes sense to consumers that they understand."

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