



# THE FUTURE OF MONETIZATION

**AUG**  
2018

THE MOST APPEALING PAY TV MODELS AND  
ADVERTISING EXPERIENCES



ENTERTAINMENT  
RESEARCH



# How do consumers want to pay for television?

- All-you-can-eat subscriptions have more users than ever – but live TV still draws more viewers than any other single platform
- VMVPDs (e.g. Hulu w/ Live or YouTube TV) have repositioned ad-supported TV for a new generation of viewers
- And technology has created new tools (like countdown clocks or targeting ads based on past behavior) that research shows make the ad experience both more tolerable and more engaging for consumers



The goal of this study: to quantify how different strategies for content monetization impact the viewer experience

## HOW DO CONSUMERS PERCEIVE AND REACT TO...

### PAY MODELS

How do people prefer to pay for content: via subscription (all you can eat), transactional (pay for individual content), or with their time (free with ads)?

### AD EXPERIENCE

How do consumers feel about different methods for ad delivery: e.g. targeting, countdown clocks, category selection, ad placement, ability to skip some ads, etc.

### SATISFACTION

How do ad volume and delivery impact the viewing experience and overall satisfaction?

### SUBSCRIPTION

What elements of subscription services make those platforms most valuable—and what extra features would consumers be willing to pay for?

# We surveyed 1,612 TV consumers

- Age 16 to 74
- Watch at least 1 hour of TV per week
- Have broadband at home
- U.S. census balanced
- Data collection completed in August 2018





# **Executive Summary**

# All else being equal: viewers prefer a free-with-ads TV model over subscription or transactional...

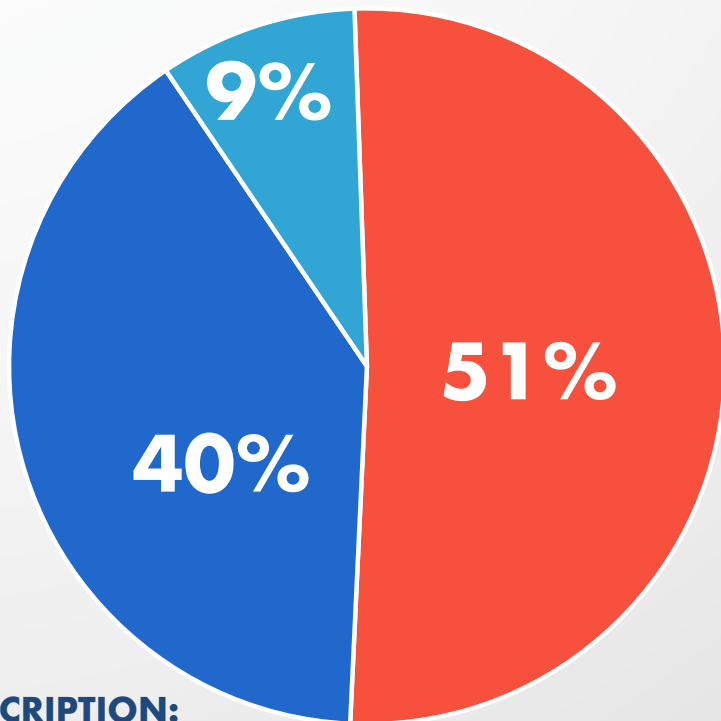
WHICH OF THESE MODELS FOR TV SERVICE DO YOU PREFER?

## TRANSACTIONAL:

Pay for individual shows/  
seasons, watch with no ads

## FREE WITH ADS

Watch free w/ads  
in all shows



## SUBSCRIPTION:

Pay fee, watch with  
no ads

# ...but if it's specified that fast-forward is disabled, preference shifts to a subscription model

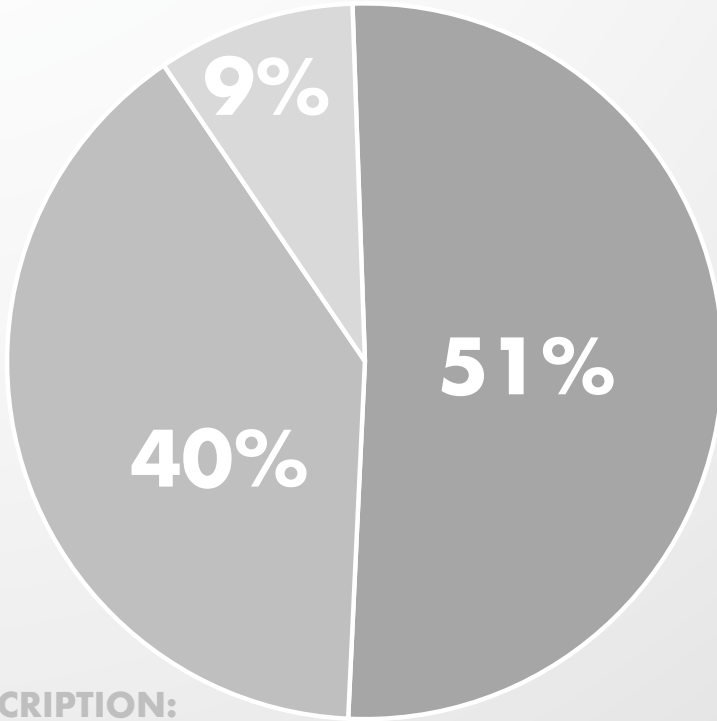
## WHICH OF THESE MODELS FOR TV SERVICE DO YOU PREFER?

**TRANSACTIONAL:**  
Pay for individual shows/  
seasons, watch with no ads

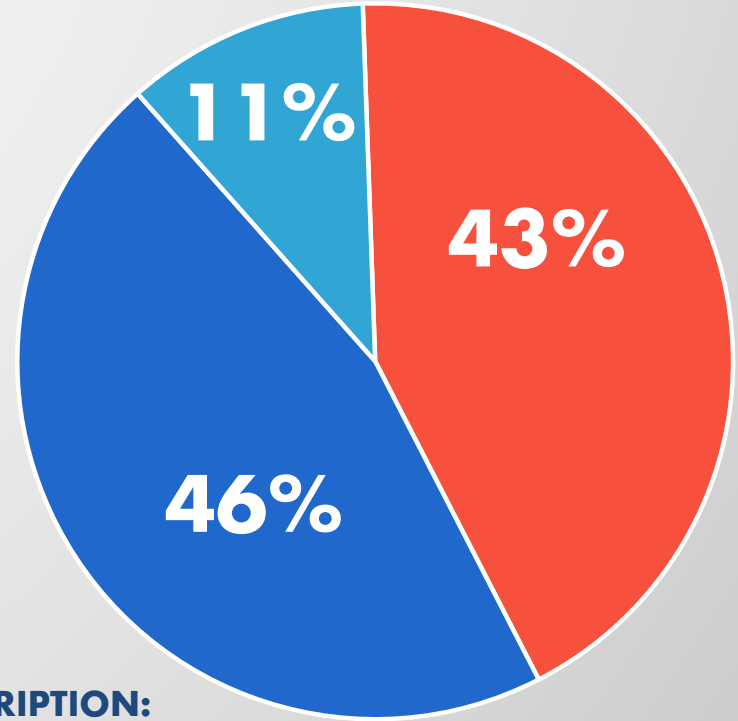
**FREE WITH ADS**  
Watch free w/ads  
in all shows

**TRANSACTIONAL:**  
Pay for individual shows/  
seasons, watch with no ads

**FREE WITH ADS**  
Watch free w/ads in all shows,  
fast-forward is disabled



**SUBSCRIPTION:**  
Pay fee, watch with  
no ads



**SUBSCRIPTION:**  
Pay fee, watch with  
no ads

# If Netflix were to increase its cost by \$2 per month, only 8% of subscribers say they would cancel

IF **NETFLIX** RAISED ITS FEE, WHAT WOULD YOU BE MOST LIKELY TO DO?

+ \$2/month

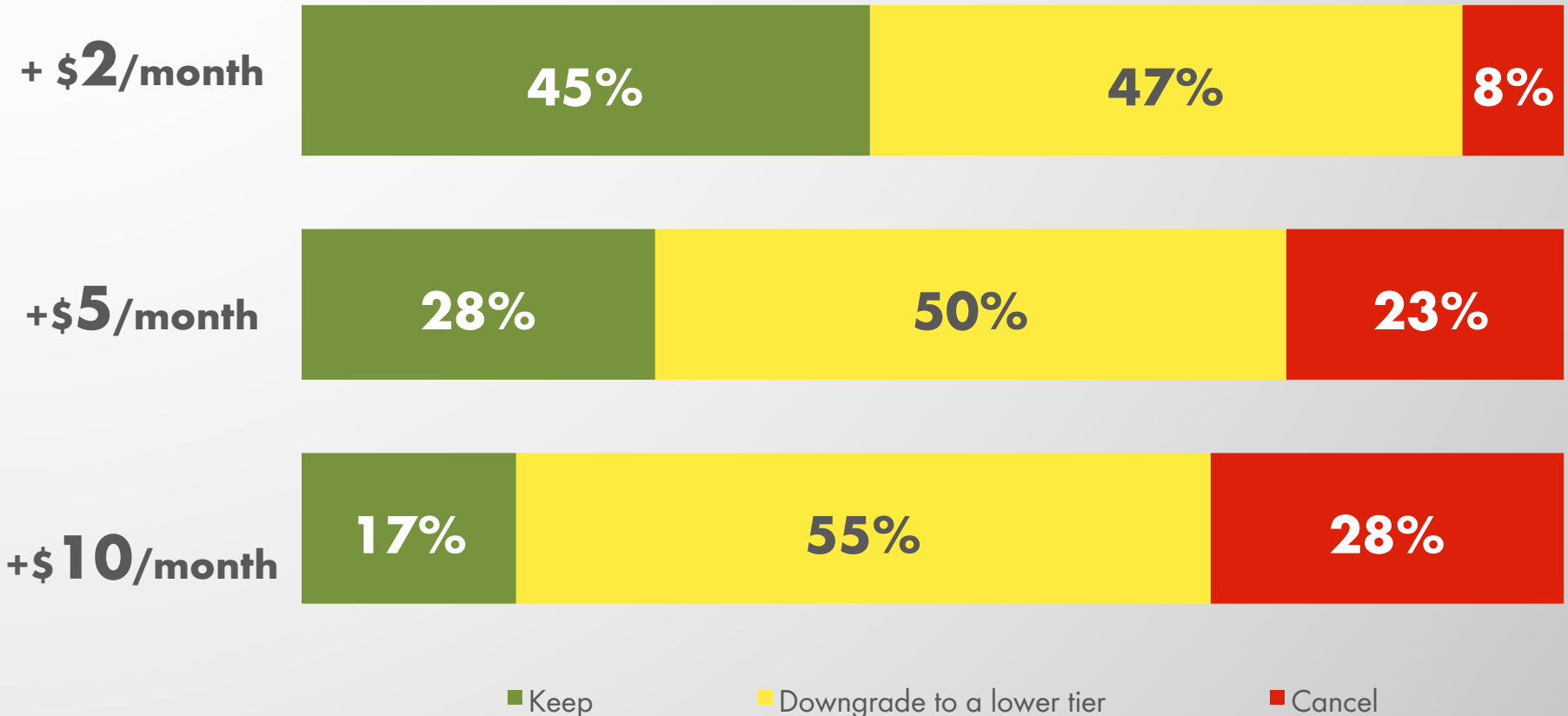


■ Keep      ■ Downgrade to a lower tier      ■ Cancel



...but at higher increases, the subscriber drop off would be significant

IF **NETFLIX** RAISED ITS FEE, WHAT WOULD YOU BE MOST LIKELY TO DO?



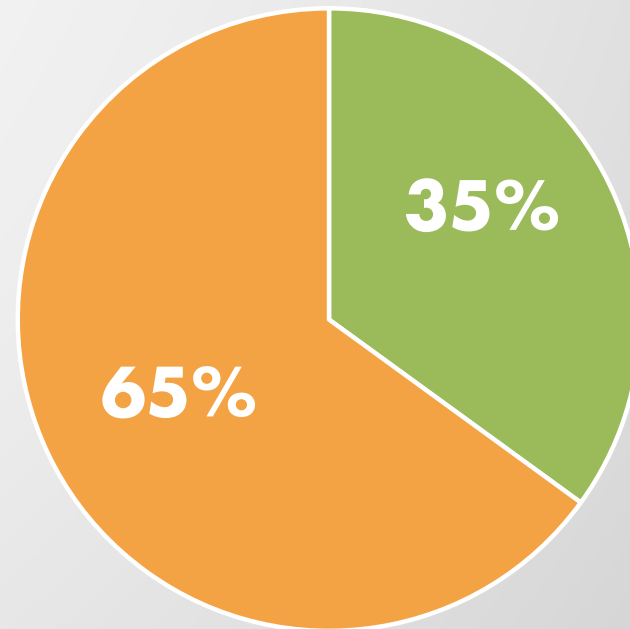
# If Netflix offered an ad-supported plan, a majority of Netflix subs say they'd switch to it, if it meant significant savings

WHICH **NETFLIX** PLAN WOULD YOU PREFER?

AMONG NETFLIX SUBSCRIBERS

Suppose Netflix offered two plans...

- An ad-supported plan at **\$3 less** than the current monthly fee
- Its ad-free plan, but at **\$3 more** than the current fee...?



Prefer ad-free plan



Prefer ad-supported plan



**82%**

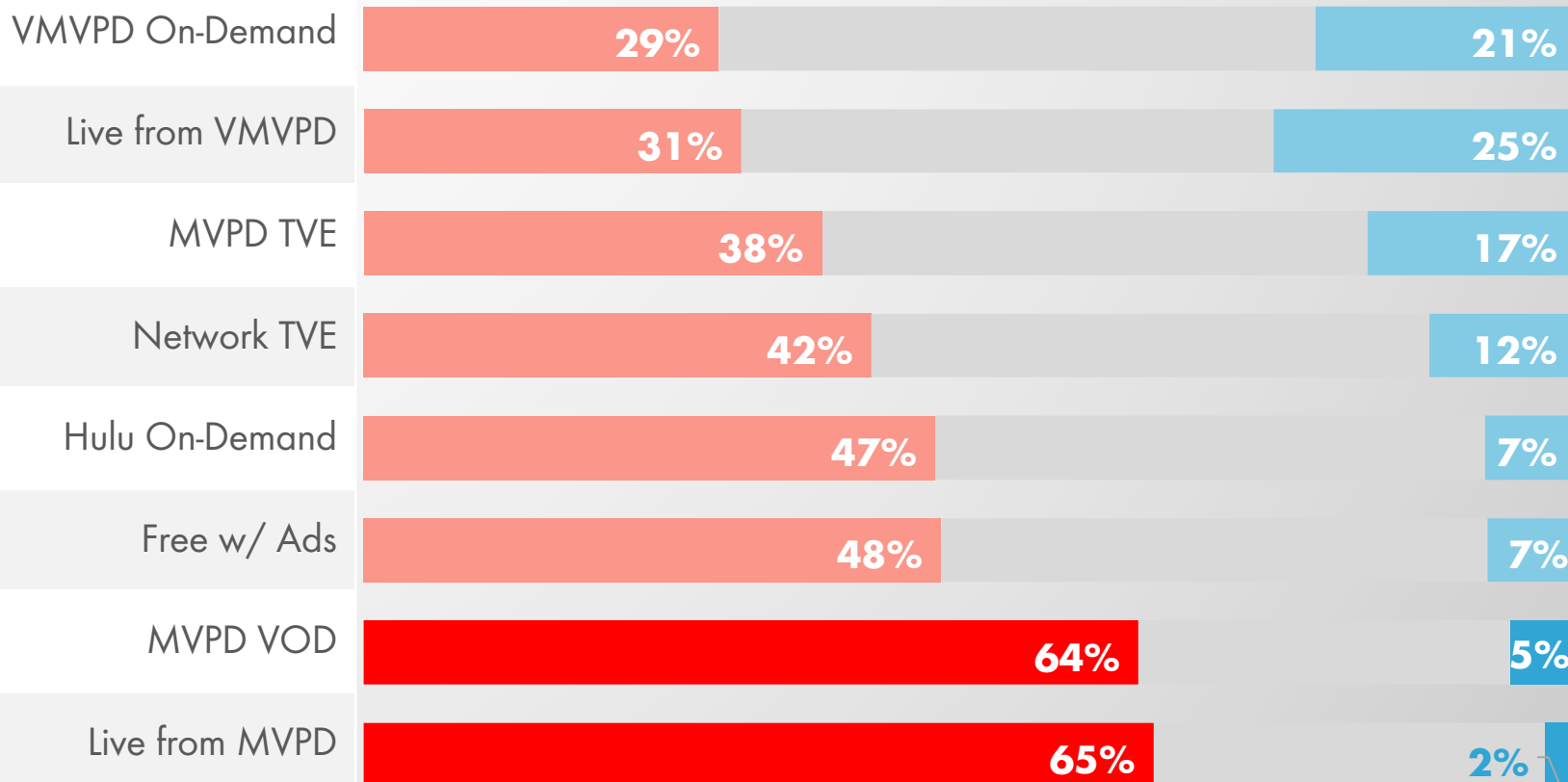
of pay TV subs with a DVR fast forward through all or most commercials

**61%**

at least sometimes delay starting live shows a few minutes so that they can fast forward through ads with their DVR

# Almost two thirds of those who watch live or VOD from a pay TV company say they pay very little attention to ads

HOW MUCH ATTENTION DID YOU PAY TO THE ADS YOU SAW?  
BY PLATFORM WATCHED: 11 POINT SCALE



Bottom 3: Lowest attention

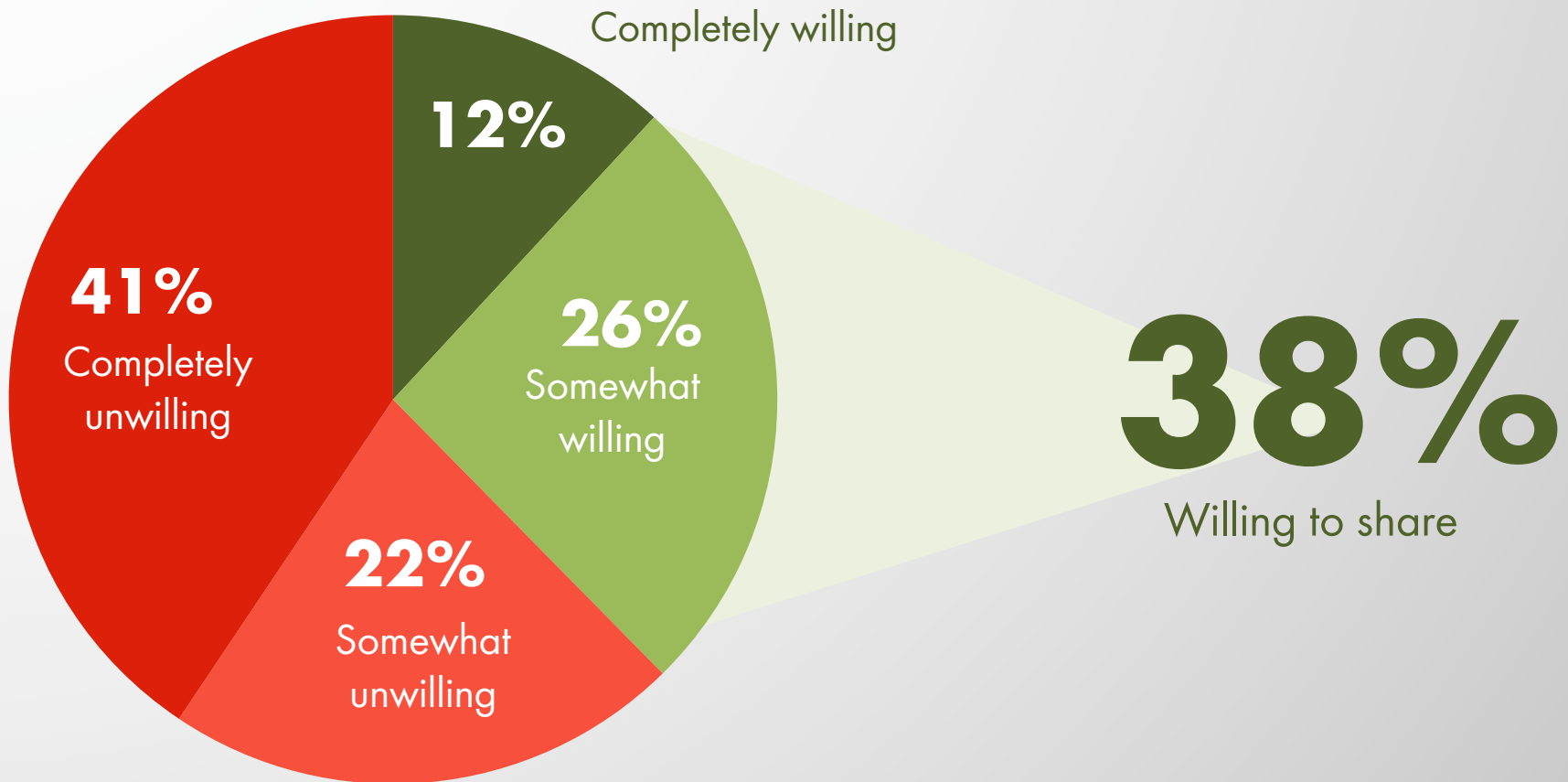


Top 3: Complete attention



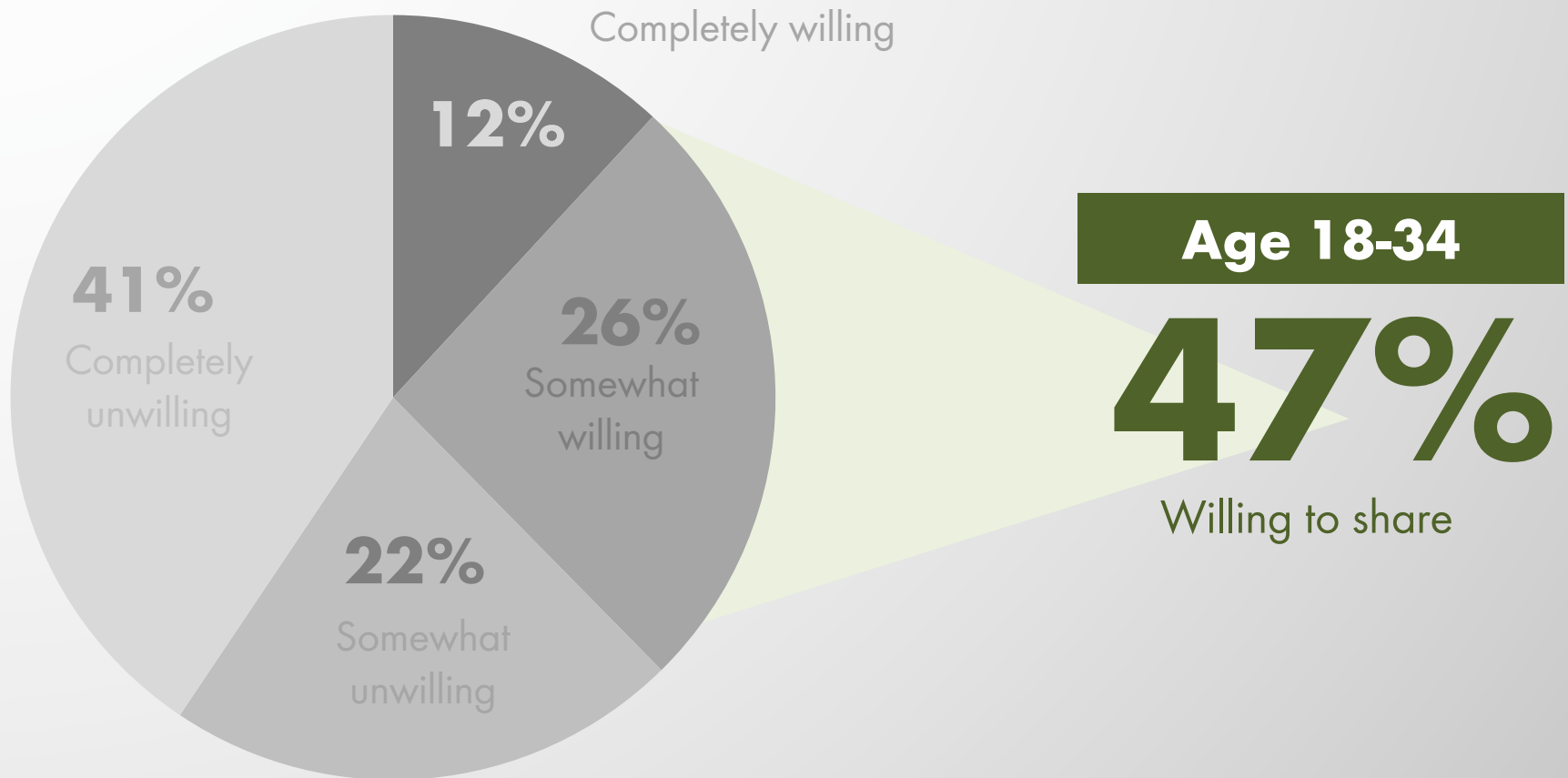
# Many consumers are open to advertisers gathering their information to serve up more relevant ads

ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT INFORMATION ABOUT YOU IN ORDER TO OFFER MORE RELEVANT ADS?



# Younger consumers are even more willing to have their information collected than average

ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT INFORMATION ABOUT YOU IN ORDER TO OFFER MORE RELEVANT ADS?







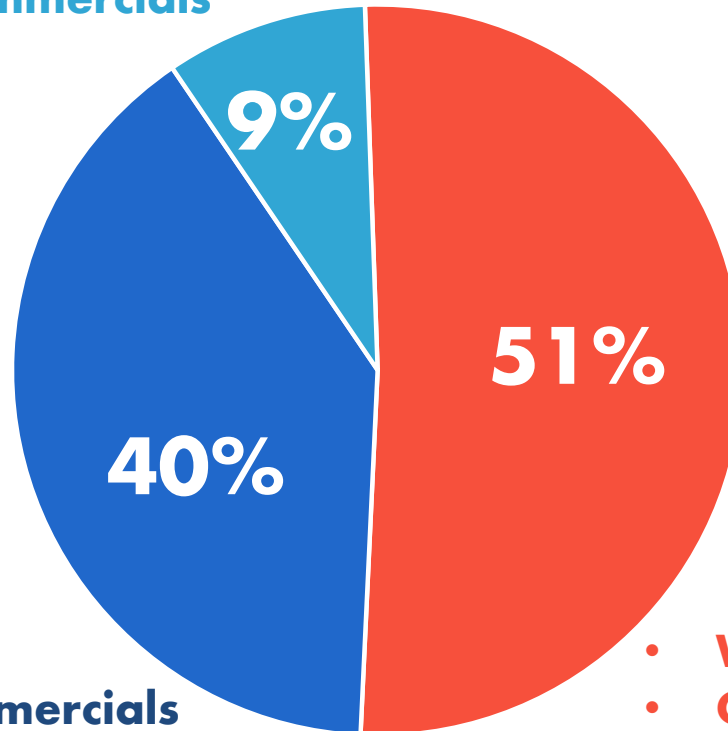
# Pay Model Preferences

When presented with three broad pay model options for TV service, most prefer services that are fee with ad support...

WHICH OF THESE MODELS FOR TV SERVICE DO YOU PREFER?

(WITH NO MENTION OF FAST FORWARDING)

- **Pay individually for shows/seasons**
- **Watch with no commercials**



- **Pay subscription**
- **Watch with no commercials**

- **Watch for free**
- **Commercials in all shows**



# But if the ad-support model comes with fast forward disabled, most would pick an ad-free subscription service

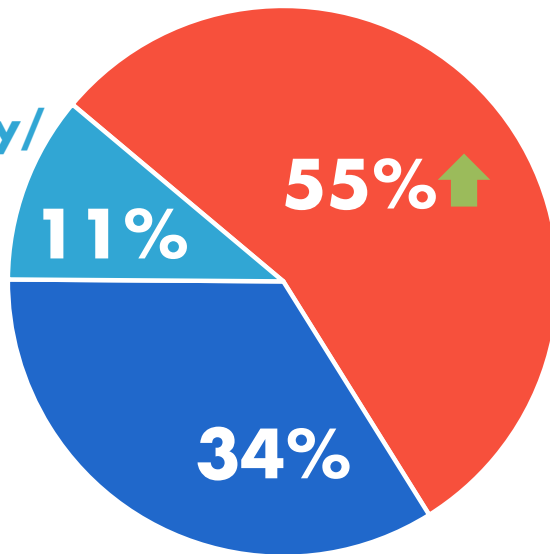
WHICH OF THESE MODELS FOR TV SERVICE DO YOU PREFER?

FAST FORWARDING AVAILABLE VS. FAST FORWARD DISABLED

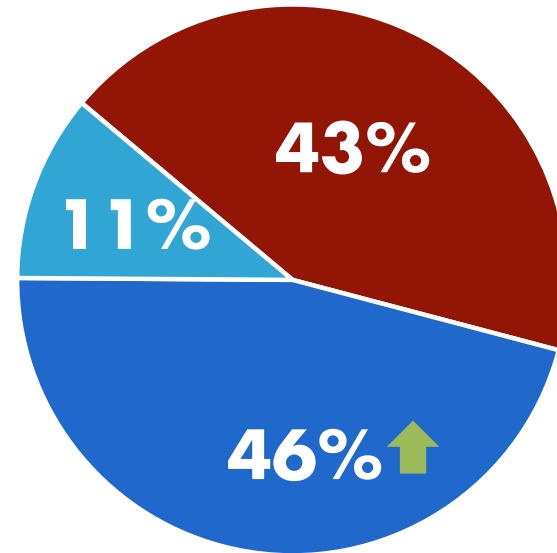
Free w/ ads,  
fast forward available

Free w/ ads,  
no fast forward

Pay  
individually/  
no ads



Subscription,  
no ads

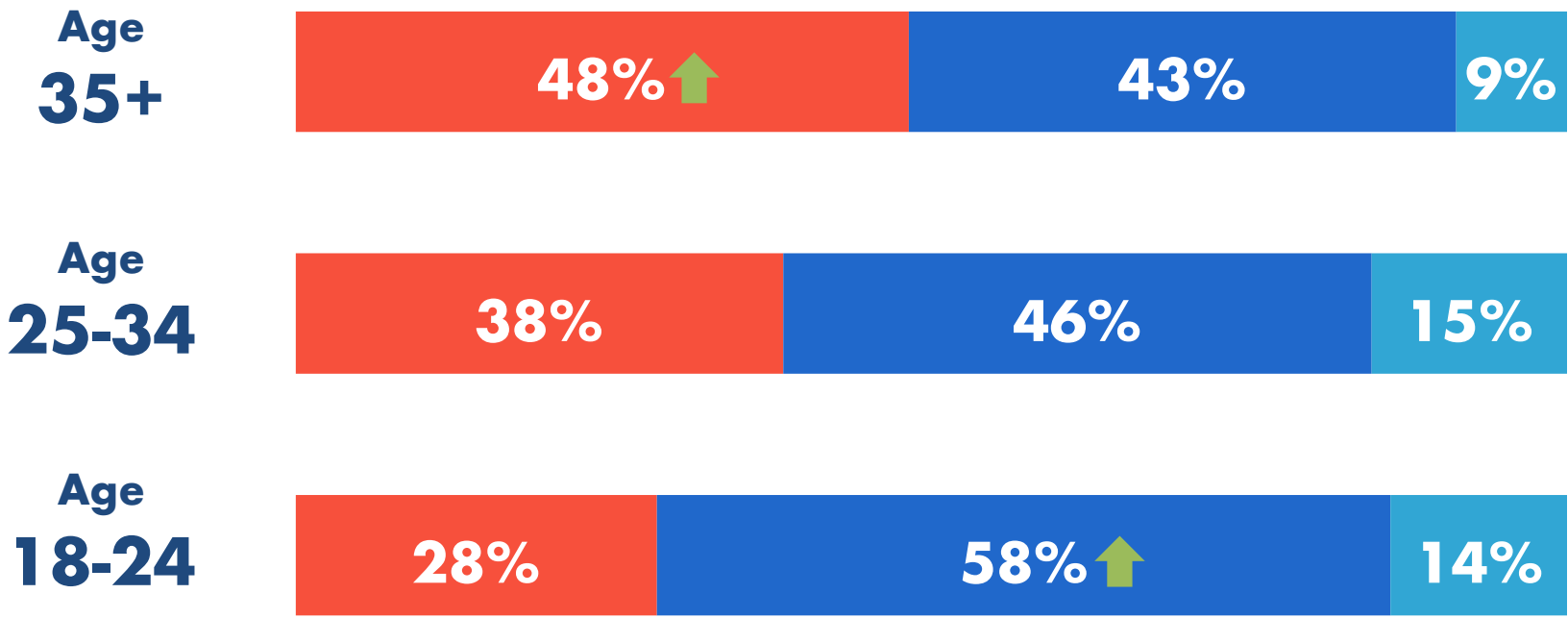


Subscription,  
no ads

↑ Greater than total

# Younger consumers clearly prefer the subscription TV model, while older viewers prefer free with ad support

## TV SERVICE PREFERENCE IF NO AD SKIPPING ALLOWED?

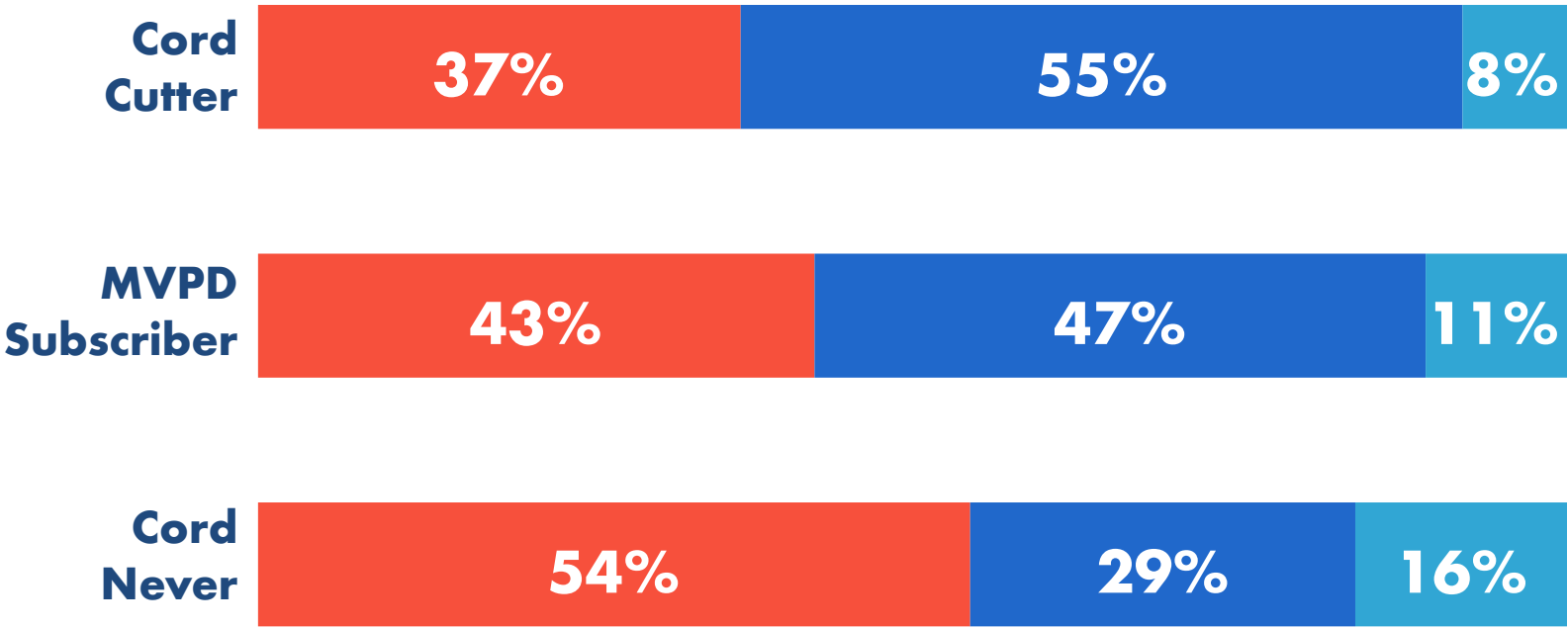


- Free with ads: NO FAST FORWARD
- Pay subscription, no ads
- Pay individually, no ads

↑ Greater than total

# Cord cutters and cord nevers have opposite preferences; the former choose subscription, the latter choose free with ads

## TV SERVICE PREFERENCE IF NO AD SKIPPING ALLOWED?



- Free with ads: NO FAST FORWARD
- Pay subscription, no ads
- Pay individually, no ads

↑ Greater than total

We measured the value that consumers associate with different ways of offering TV service, and different provider brands

1. We showed consumers descriptions of seven real TV services:

1. Traditional pay TV bundle

2. Virtual MVPD

3. SVOD subscription with no ads

4. SVOD subscription with ads

5. Free with ads platform

6. Direct to consumer network

7. Transactional platform

Half of respondents

saw just the description, with no  
brand attached

The other half







saw the description, plus the brand  
of the provider

2. THEN: we asked consumers to rank the value of each service/description

# The half who saw the 7 service descriptions \*without\* brands reacted to this...

	<b>GENERIC</b>	<b>Cost</b>	<b># of Live Networks</b>	<b>Available on Demand</b>	<b># of Ads in on Demand</b>
1.	Pay TV Bundle	\$100/month	200+	<ul style="list-style-type: none"> <li>Recent seasons from same networks</li> </ul>	Same number as in live TV
2.	Virtual MVPD	\$20-\$40/month	30-60	<ul style="list-style-type: none"> <li>Recent seasons from same networks</li> </ul>	Half the number as in live TV
3.	Network: Direct to Consumer	\$9-\$15/month	None	<ul style="list-style-type: none"> <li>Exclusive originals</li> <li>All seasons/shows from that network</li> </ul>	No commercials
4.	SVOD/no ads	\$8-\$12/month	None	<ul style="list-style-type: none"> <li>Exclusive originals</li> <li>Past seasons/shows from variety of networks</li> </ul>	No commercials
5.	SVOD with ads	\$8/month	None	<ul style="list-style-type: none"> <li>Exclusive/original shows</li> <li>Recent seasons from variety of networks</li> </ul>	Half the number as in live TV
6.	Free with Ads	Free	None	<ul style="list-style-type: none"> <li>Past seasons of shows from variety of networks</li> </ul>	Same number as in live TV
7.	Transactional	\$2.99 per show or \$20-\$30 per season	None	<ul style="list-style-type: none"> <li>Recent/past seasons of shows from variety of networks</li> </ul>	No commercials

# The half who saw the same descriptions with brands attached reacted to the following

	BRAND	Cost	# of Live Networks	Available on Demand	# of Ads in on Demand
1.	"Your pay TV provider"	\$100/month	200+	<ul style="list-style-type: none"> <li>Recent seasons from same networks</li> </ul>	Same number as in live TV
2.	 **	\$20-\$40/month	30-60	<ul style="list-style-type: none"> <li>Recent seasons from same networks</li> </ul>	Half the number as in live TV
3.	 ***	\$9-\$15/month	None	<ul style="list-style-type: none"> <li>Exclusive originals</li> <li>All seasons/shows from that network</li> </ul>	No commercials
4.		\$8-\$12/month	None	<ul style="list-style-type: none"> <li>Exclusive originals</li> <li>Past seasons/shows from variety of networks</li> </ul>	No commercials
5.		\$8/month	None	<ul style="list-style-type: none"> <li>Exclusive/original shows</li> <li>Recent seasons from variety of networks</li> </ul>	Half the number as in live TV
6.	 A Sony Network	Free	None	<ul style="list-style-type: none"> <li>Past seasons of shows from variety of networks</li> </ul>	Same number as in live TV
7.		\$2.99 per show or \$20-\$30 per season	None	<ul style="list-style-type: none"> <li>Recent/past seasons of shows from variety of networks</li> </ul>	No commercials

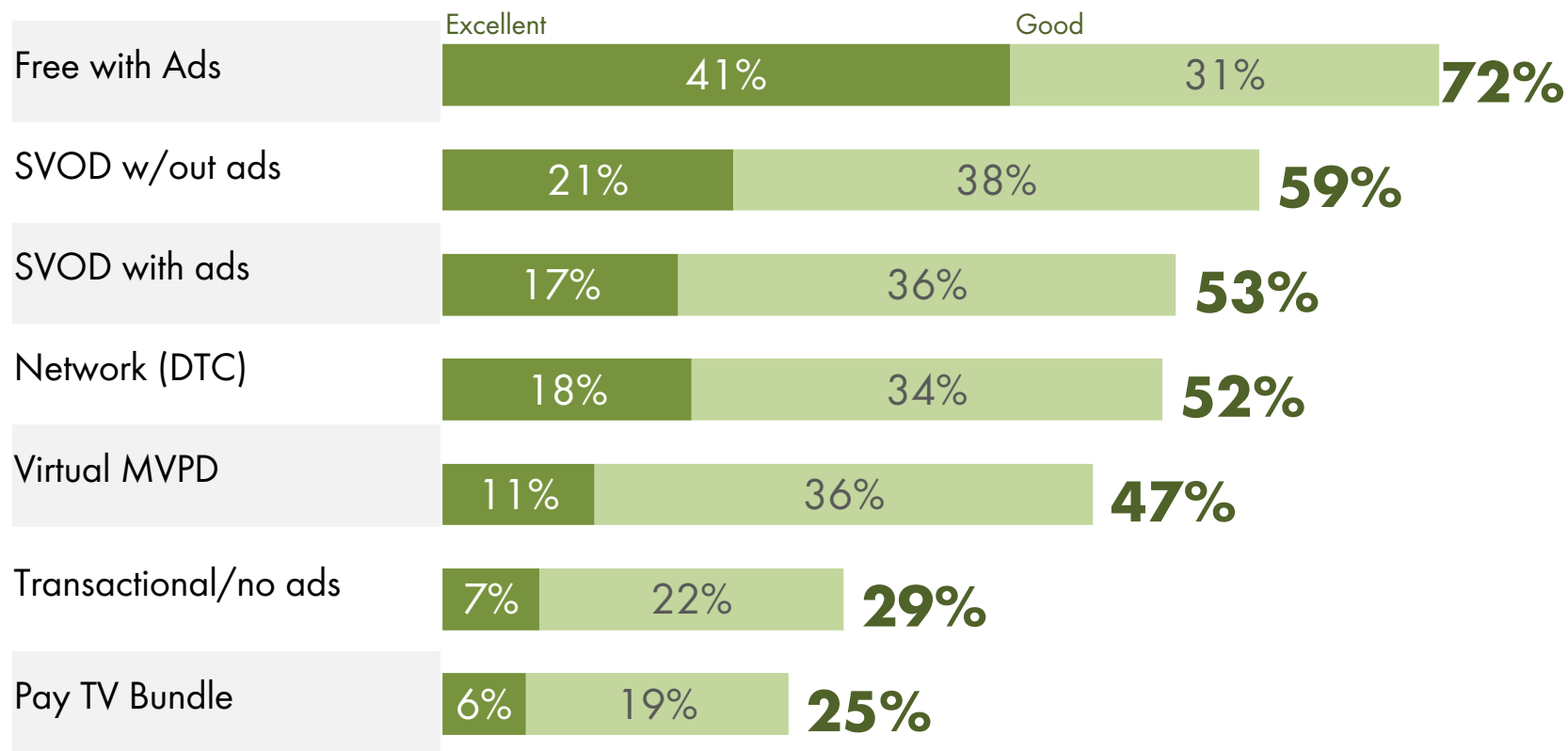
\* Respondents saw the name/brand of their pay TV provider

\*\* VMVPD subs saw the name of their provider; all others saw Sling TV

\*\*\* Half of respondents saw CBS All Access; half saw HBO Now

# With no brands associated, free-with-ads is seen as offering the most value, significantly ahead of the SVOD model

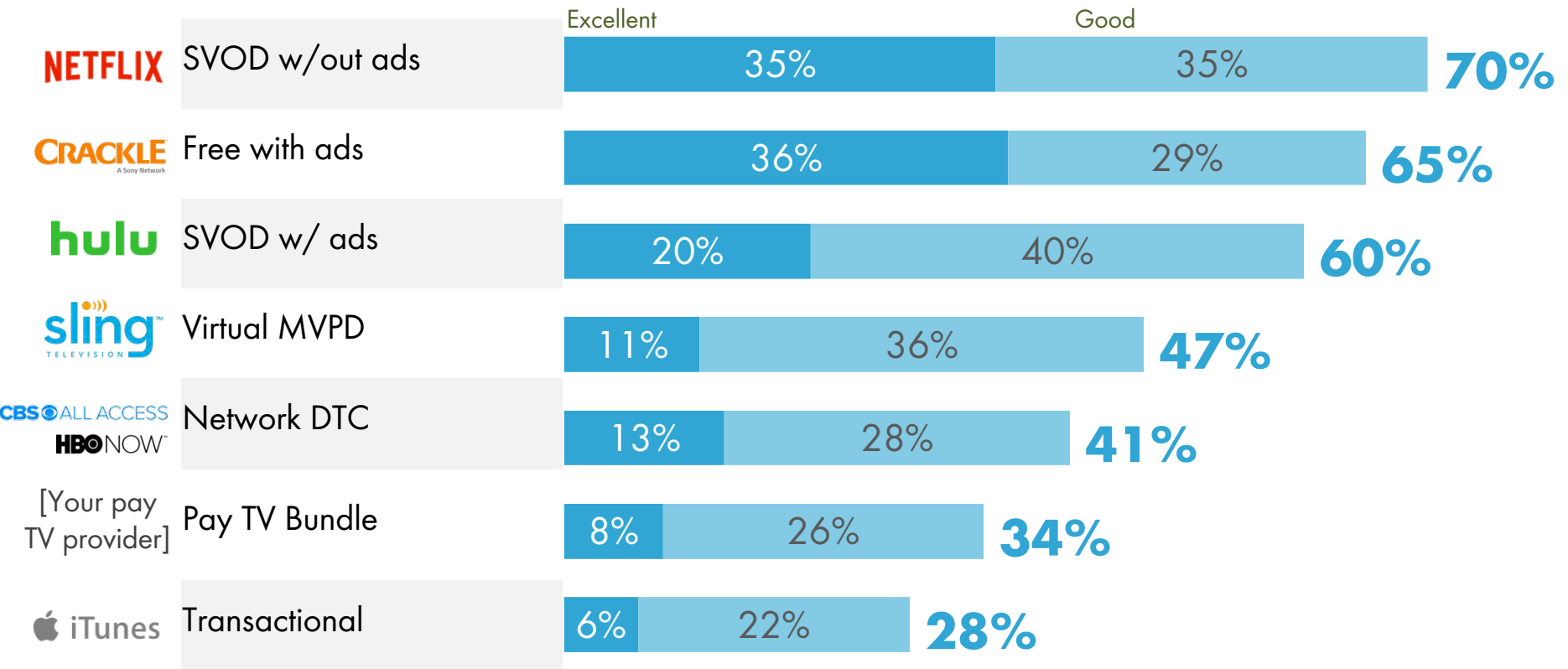
## HOW MUCH VALUE DO YOU ASSOCIATE WITH EACH OF THESE? SPLIT A: NO BRANDS



Q7B: Here are some more specific ways that TV services can be offered, based on how prices and commercials work. Tell us how much value you associate with each type. Please consider either value for the money or—if it's a free service—value in exchange for your time watching ads.

# But when brands are added to the service descriptions, Netflix jumps to the top in perceived value

## HOW MUCH VALUE DO YOU ASSOCIATE WITH EACH OF THESE? SPLIT A: WITH BRANDS

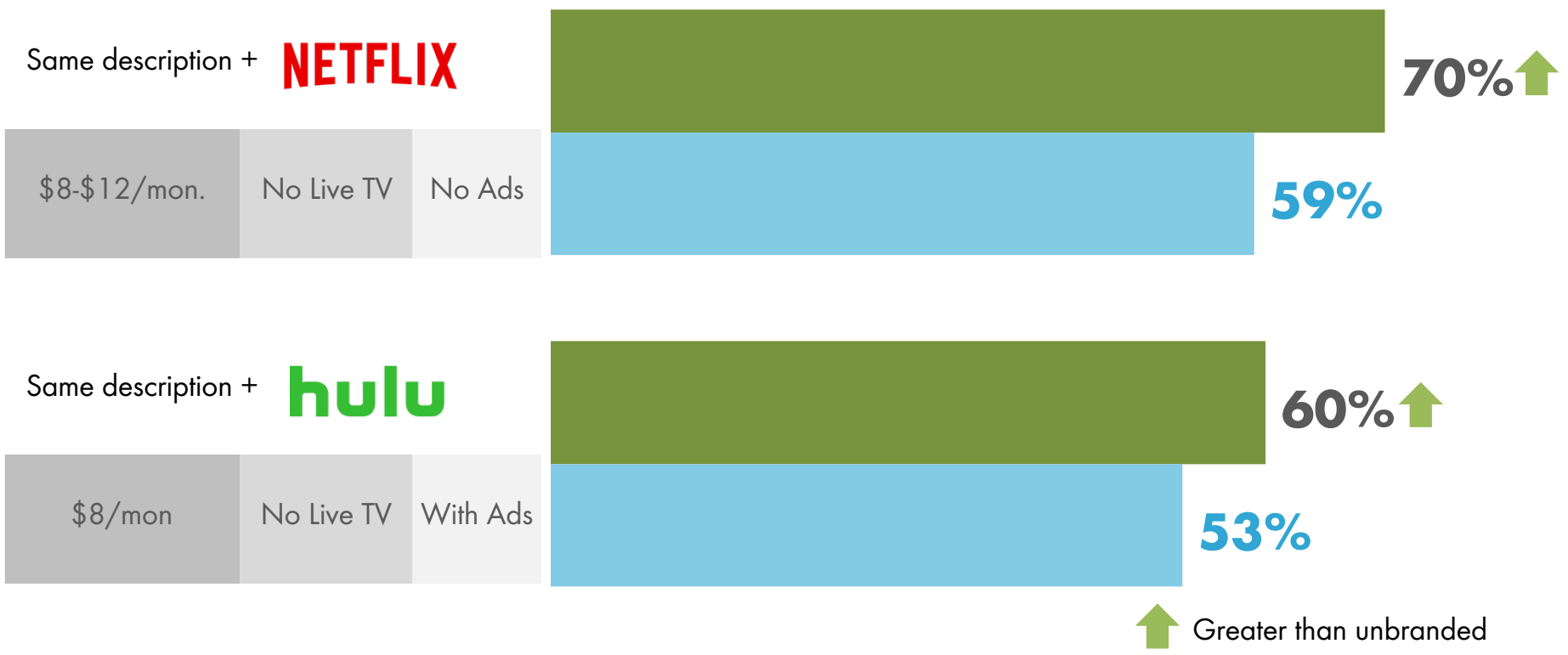


Q7B: Here are some more specific ways that TV services can be offered, based on how prices and commercials work. Tell us how much value you associate with each type. Please consider either value for the money or—if it's a free service—value in exchange for your time watching ads.



# In fact, the generic SVOD model gets a substantial boost in value perception when associated with either Netflix or Hulu

HOW MUCH VALUE DO YOU ASSOCIATE WITH EACH OF THESE?  
**COMPARISON: SAME OFFER, BRANDED VS. NO BRAND**



Q7B: Here are some more specific ways that TV services can be offered, based on how prices and commercials work. Tell us how much value you associate with each type. Please consider either value for the money or—if it's a free service—value in exchange for your time watching ads.

# We also wanted to gauge the appeal of, and willingness to pay for, specific TV service features from an SVOD

- 1. Exclusive Shows** Original shows that you can't watch anywhere else
- 2. Video Extras** Extra content related to shows, such as behind the scenes videos, interviews with stars, etc.
- 3. Offline Viewing** Ability download shows to watch later on a mobile device, even without an internet connection
- 4. Early Availability** Popular shows are available to subscribers a day before they air on live TV
- 5. DVR** Ability to record or save shows and watch later while fast forwarding through commercials
- 6. Highest Quality Video** Ability to watch shows in ultra HD formats like 4K or HDR, on a 4K or HDR compatible TV set or device
- 7. No Ads** All shows are commercial-free
- 8. Limited Ads** All shows have about half the number of commercials as live TV
- 9. Ad-Free Networks** Certain popular networks are commercial-free
- 10. 7 Day Free Trial** You can use the service for free for 7 days before deciding to sign up

# We used a two-step process to assess the impact

**1.**

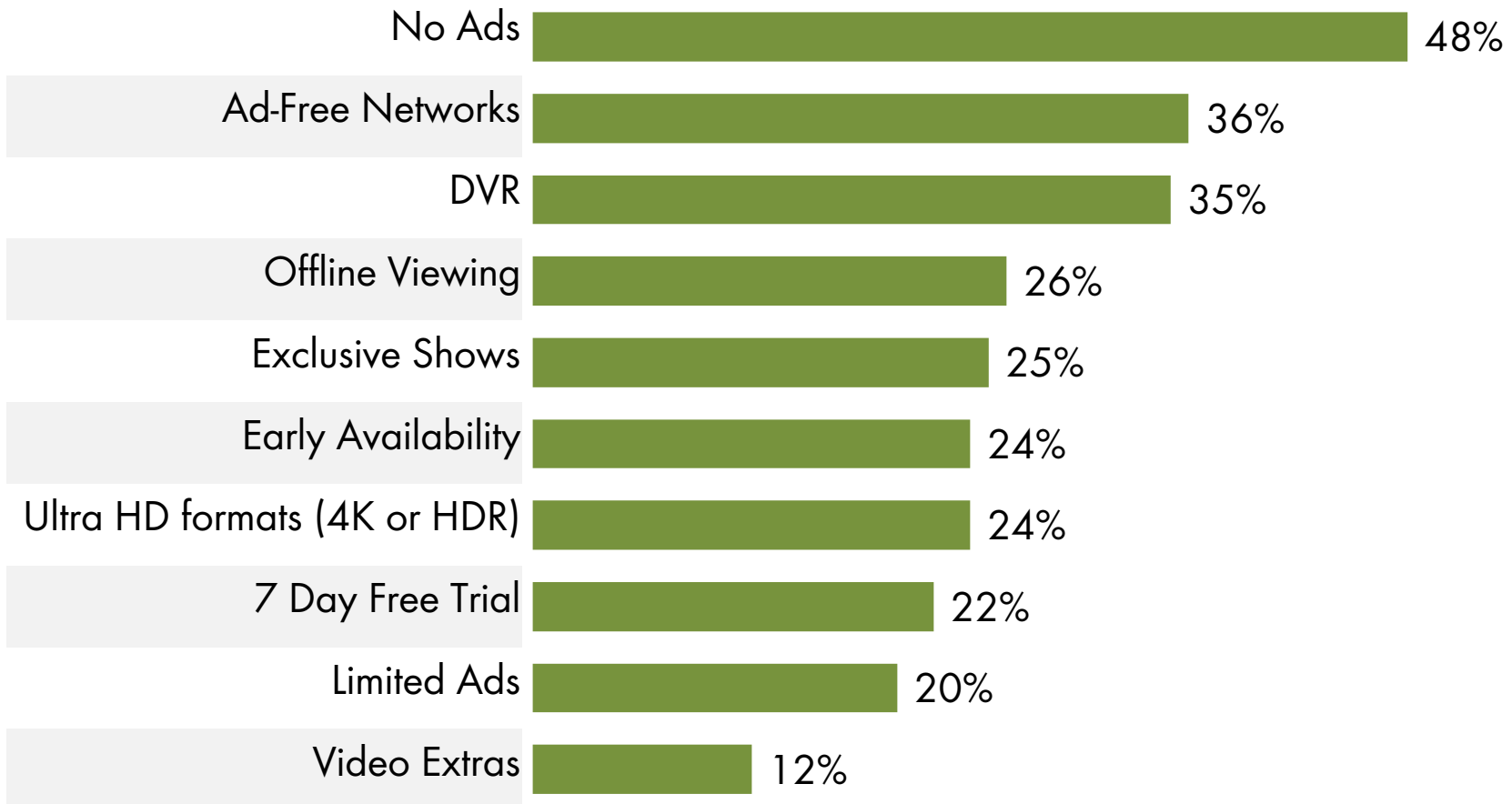
First, we measured the impact of each feature on interest in subscribing to a new SVOD service, with NO FEE ATTACHED

**2.**

Next, we measured interest in PAYING EXTRA FOR each feature separately, at a randomly assigned price point: \$1, \$3, \$5, \$10

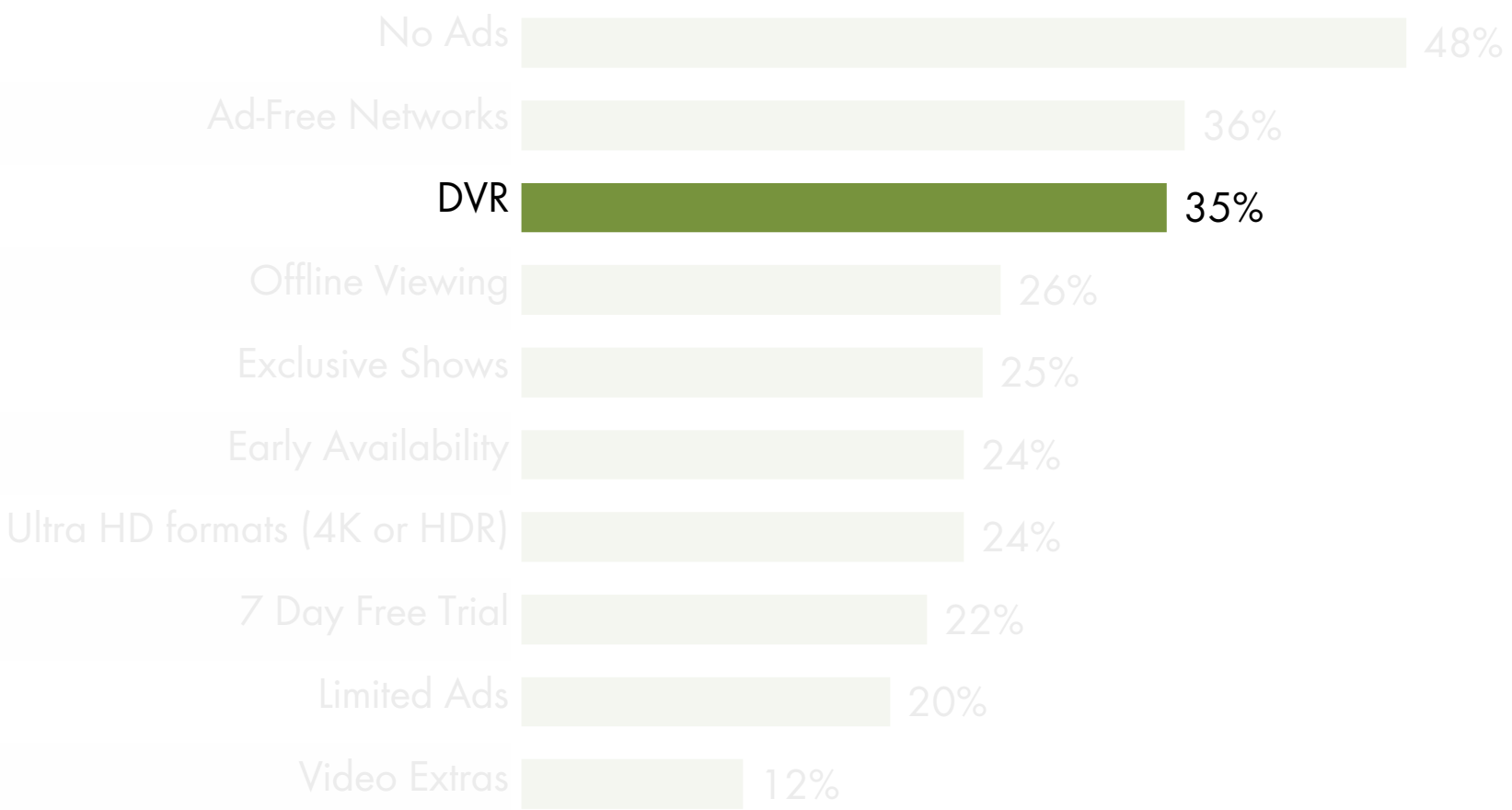
# The two feature elements most likely to boost interest in a subscription service are ad-related: no ads or ad-free networks

HOW MUCH IMPACT WOULD THIS FEATURE HAVE ON YOUR INTEREST IN A NEW SERVICE?  
**% A LOT MORE INTERESTED**



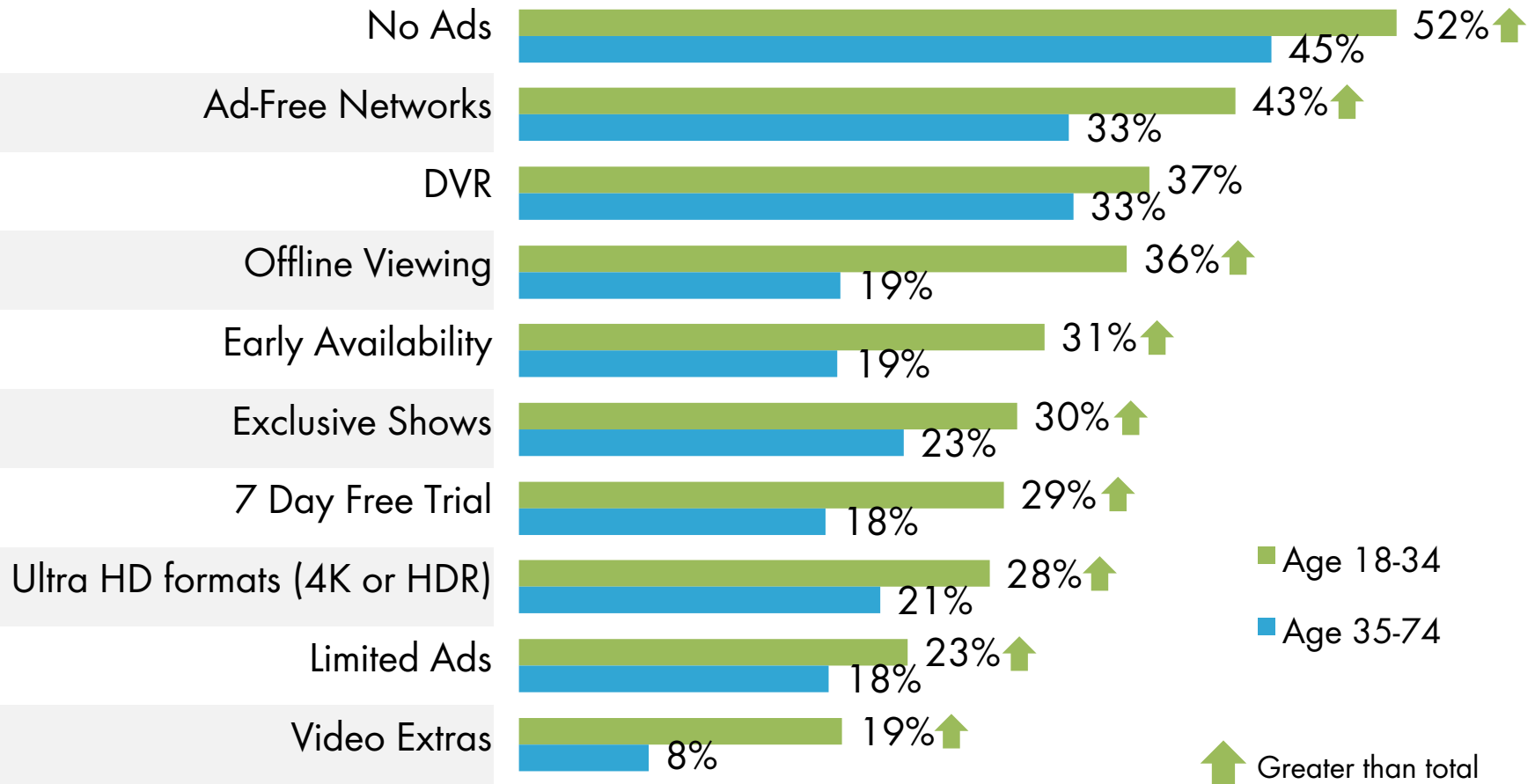
# Note that another feature with ad-skipping capabilities ranks high as well: DVR capabilities

## HOW MUCH IMPACT WOULD THIS FEATURE HAVE ON YOUR INTEREST IN A NEW SERVICE? % A LOT MORE INTERESTED



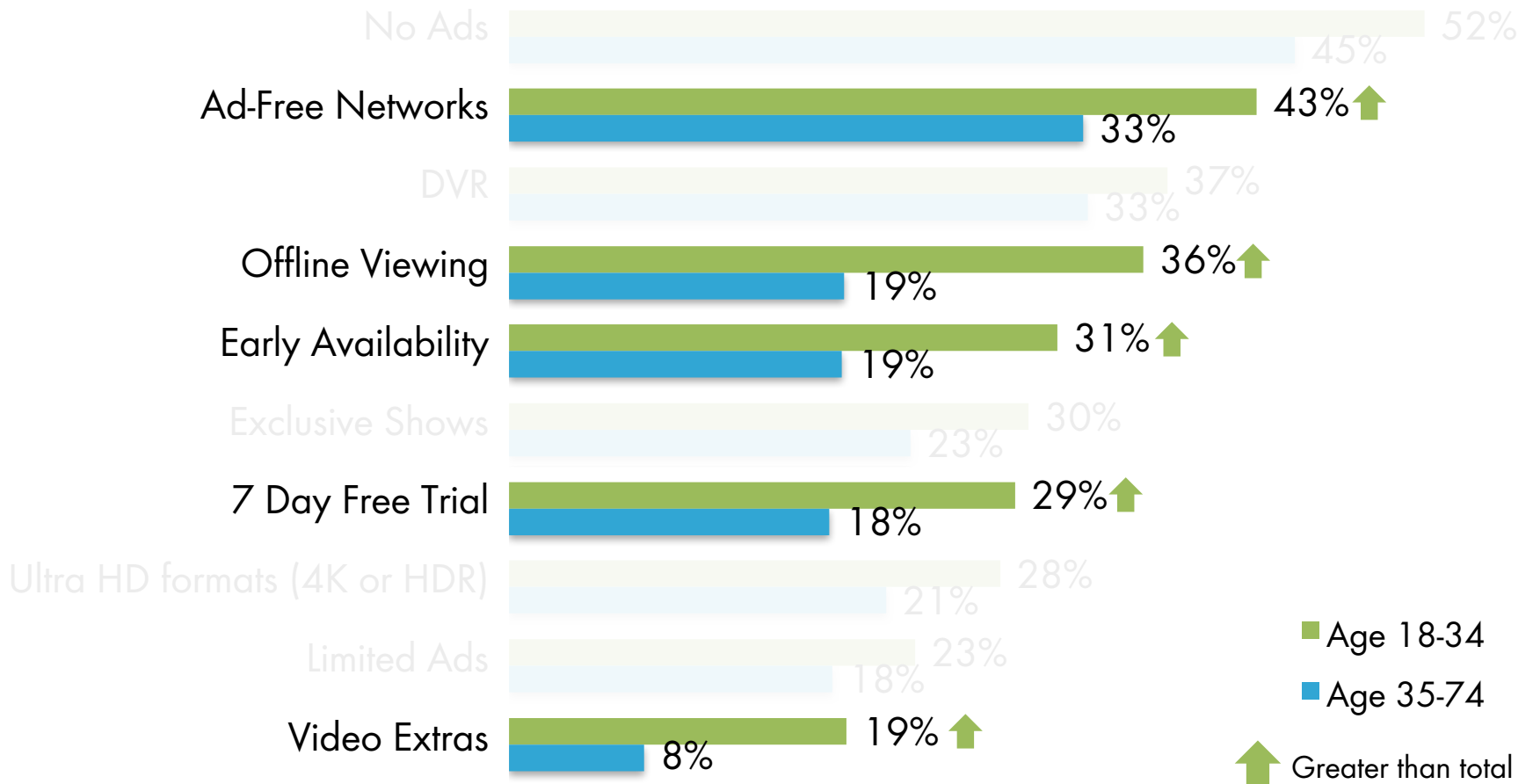
# The youngest consumers are more likely to say every one of these features would boost their interest in a subscription service

HOW MUCH IMPACT WOULD THIS FEATURE HAVE ON YOUR INTEREST IN A NEW SERVICE?  
**% A LOT MORE INTERESTED**



# Younger viewers are especially likely to be attracted by ad-free networks, offline viewing, and early availability of shows..

HOW MUCH IMPACT WOULD THIS FEATURE HAVE ON YOUR INTEREST IN A NEW SERVICE?  
**% A LOT MORE INTERESTED**

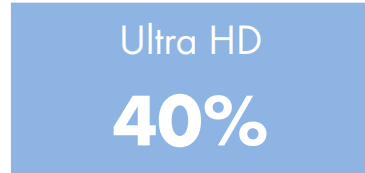
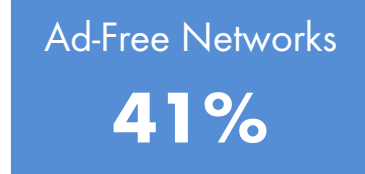
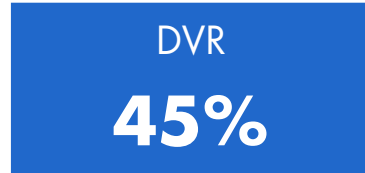
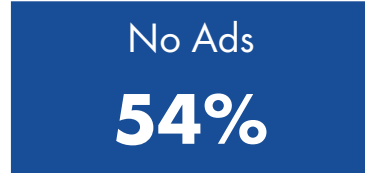


Next, when asked which features they'd be willing to pay \$1 a month for, consumers prefer two ad-avoidance elements, plus DVR

WHICH FEATURES WOULD YOU PAY FOR?

FEATURES MOST WILLING TO PAY FOR, BY PRICE (% DEFINITELY OR PROBABLY PAY)

IF \$1 PER FEATURE





Although the percentages are lower, no ads and DVR also top the list of features viewers would pay \$3 a month for

WHICH FEATURES WOULD YOU PAY FOR?

FEATURES MOST WILLING TO PAY FOR, BY PRICE (% DEFINITELY OR PROBABLY PAY)

IF \$1 PER  
FEATURE

No Ads

**54%**

DVR

**45%**

Ad-Free Networks

**41%**

Ultra HD

**40%**

IF \$3 PER  
FEATURE

No Ads

**39%**

DVR

**35%**

Exclusive Shows

**32%**

Ultra HD

**31%**

# The rank order and percentages are similar at \$5 a month per features: no ads, DVR, and ad-free networks top the list

## WHICH FEATURES WOULD YOU PAY FOR?

### FEATURES MOST WILLING TO PAY FOR, BY PRICE (% DEFINITELY OR PROBABLY PAY)

IF \$1 PER  
FEATURE

IF \$3 PER  
FEATURE

IF \$5 PER  
FEATURE

No Ads  
**54%**

No Ads  
**39%**

No Ads  
**43%**

DVR  
**45%**

DVR  
**35%**

DVR  
**36%**

Ad-Free Networks  
**41%**

Exclusive Shows  
**32%**

Ad-Free Networks  
**32%**

Ultra HD  
**40%**

Ultra HD  
**31%**

Exclusive Shows  
**30%**

Willingness to pay is naturally lowest at \$10 per month, but no ads, DVR, and ad-free networks are still the most attractive features

WHICH FEATURES WOULD YOU PAY FOR?

FEATURES MOST WILLING TO PAY FOR, BY PRICE (% DEFINITELY OR PROBABLY PAY)

IF \$1 PER FEATURE	IF \$3 PER FEATURE	IF \$5 PER FEATURE	IF \$10 PER FEATURE
No Ads <b>54%</b>	No Ads <b>39%</b>	No Ads <b>43%</b>	No Ads <b>35%</b>
DVR <b>45%</b>	DVR <b>35%</b>	DVR <b>36%</b>	DVR <b>32%</b>
Ad-Free Networks <b>41%</b>	Exclusive Shows <b>32%</b>	Ad-Free Networks <b>32%</b>	Ad-Free Networks <b>24%</b>
Ultra HD <b>40%</b>	Ultra HD <b>31%</b>	Exclusive Shows <b>30%</b>	Exclusive Shows <b>23%</b>

Next, we wanted to test willingness to accept price increases among subscribers to two services: Netflix, and traditional pay TV

1. Each respondent was asked about a hypothetical increase in one subscription:

- their MVPD
- **NETFLIX**

2. Each respondent saw one of three possible increases, at random:

- \$2 more per month
- \$5 more per month
- \$10 more per month

3. THEN: we asked if that price increase would make them most likely to cancel that subscription, downgrade to lower tier, or keep their current subscription with no changes

The vast majority of subscribers would keep each service at a \$2 more per month, but one-third to half would consider downgrading

INTENT TO KEEP TV SERVICE IF PRICE INCREASE?

+ \$2/Month

NETFLIX



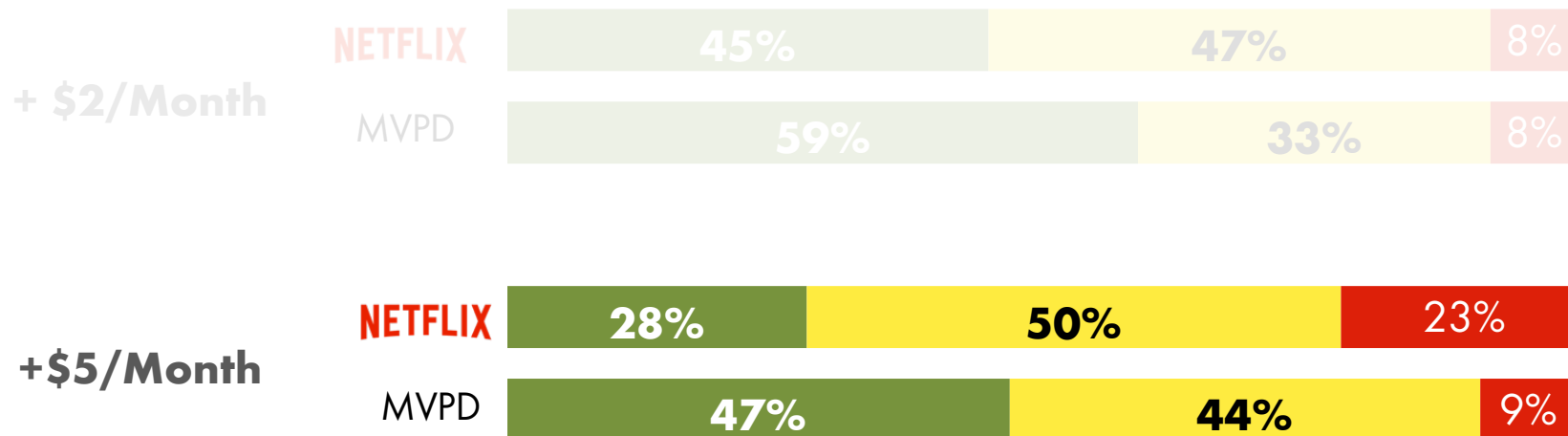
MVPD



■ Keep   ■ Downgrade   ■ Cancel

# A \$5 boost per month wouldn't affect MVPD retention much, but nearly one-fourth would consider dropping Netflix

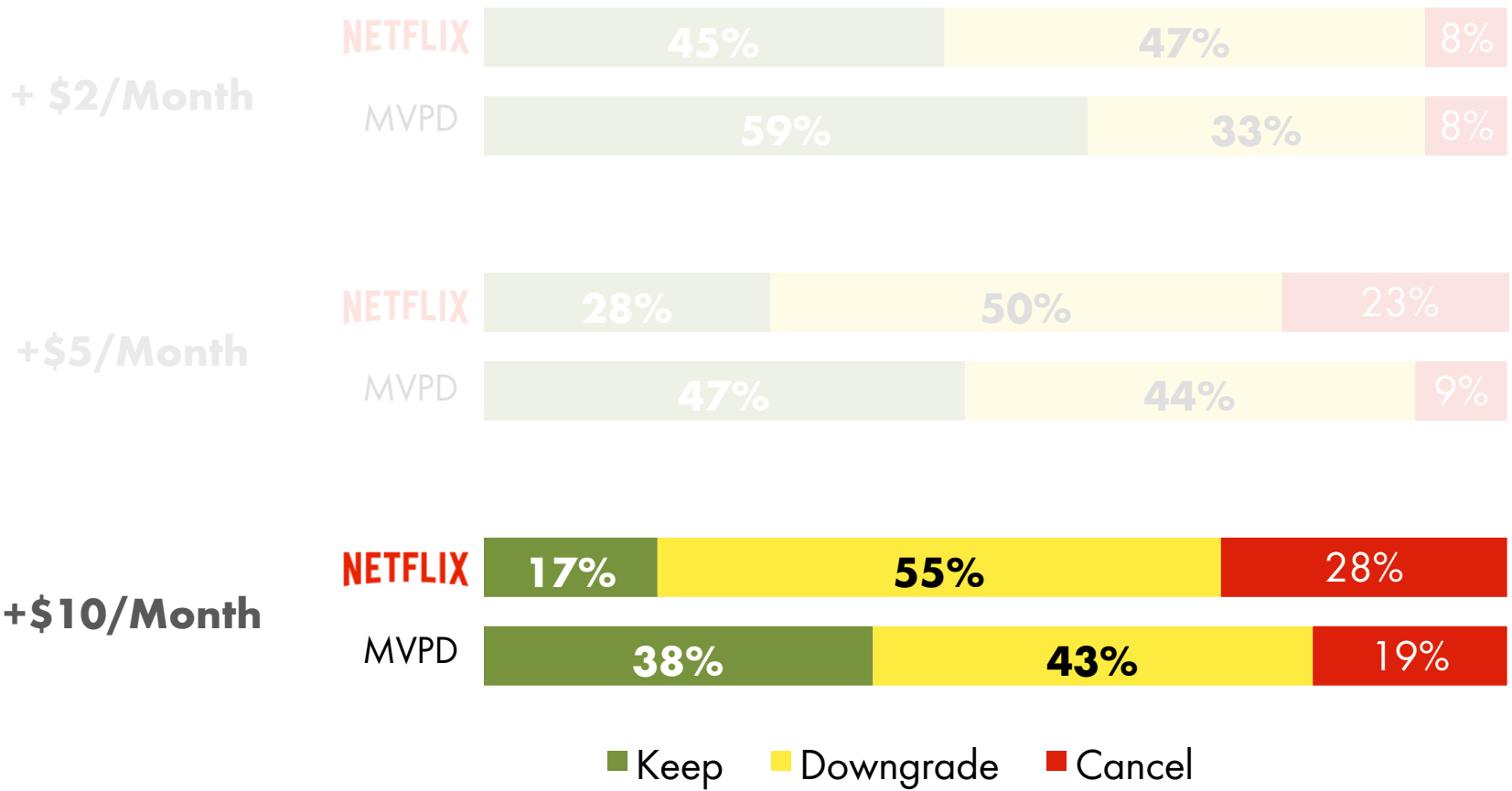
## INTENT TO KEEP TV SERVICE IF PRICE INCREASE?



■ Keep ■ Downgrade ■ Cancel

With a \$10 monthly price jump, nearly 3 in 10 would think about canceling Netflix, and 1 in 5 would consider dropping MVPD

INTENT TO KEEP TV SERVICE IF PRICE INCREASE?



# If prices must rise, does the way subscribers get notified make a difference?

Among those who said they would downgrade or cancel in the previous question, we asked if any of these scenarios would make them **MORE LIKELY** to retain their subscription unchanged ...

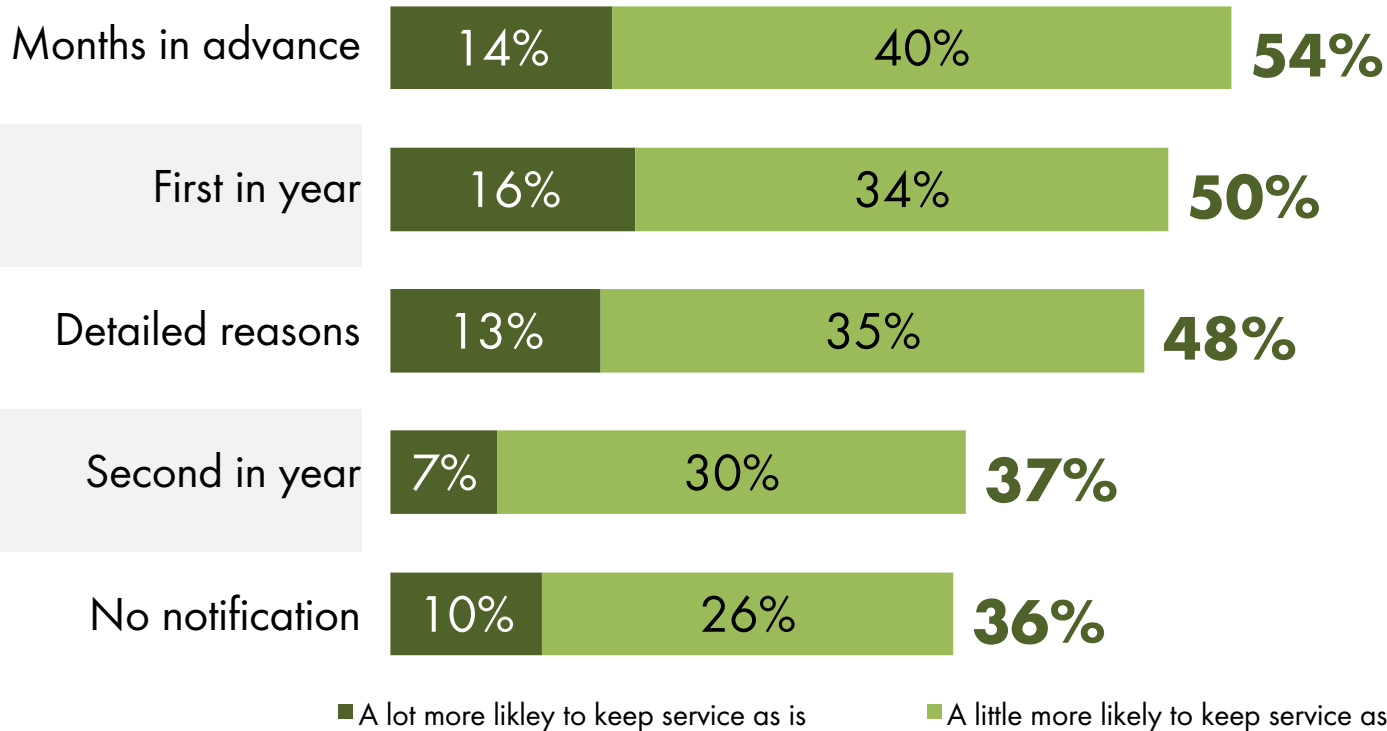
- 1. First in year** If the price increase was the first one in more than a year
- 2. Second in year** If the price increase was the second one within a year
- 3. No notification** If they weren't notified about the increase ahead of time – the first time they heard was when their got their statement
- 4. Months in advance** If the company notified them about the price increase several months in advance
- 5. Detailed reasons** If the company provided detailed reasons for the increase



# Three strategies would make consumers most likely to retain their MVPD service in the face of a price increase...

WOULD ANY OF THESE SCENARIOS MAKE YOU MORE LIKELY TO KEEP YOUR **MVPD SUBSCRIPTION** UNCHANGED?

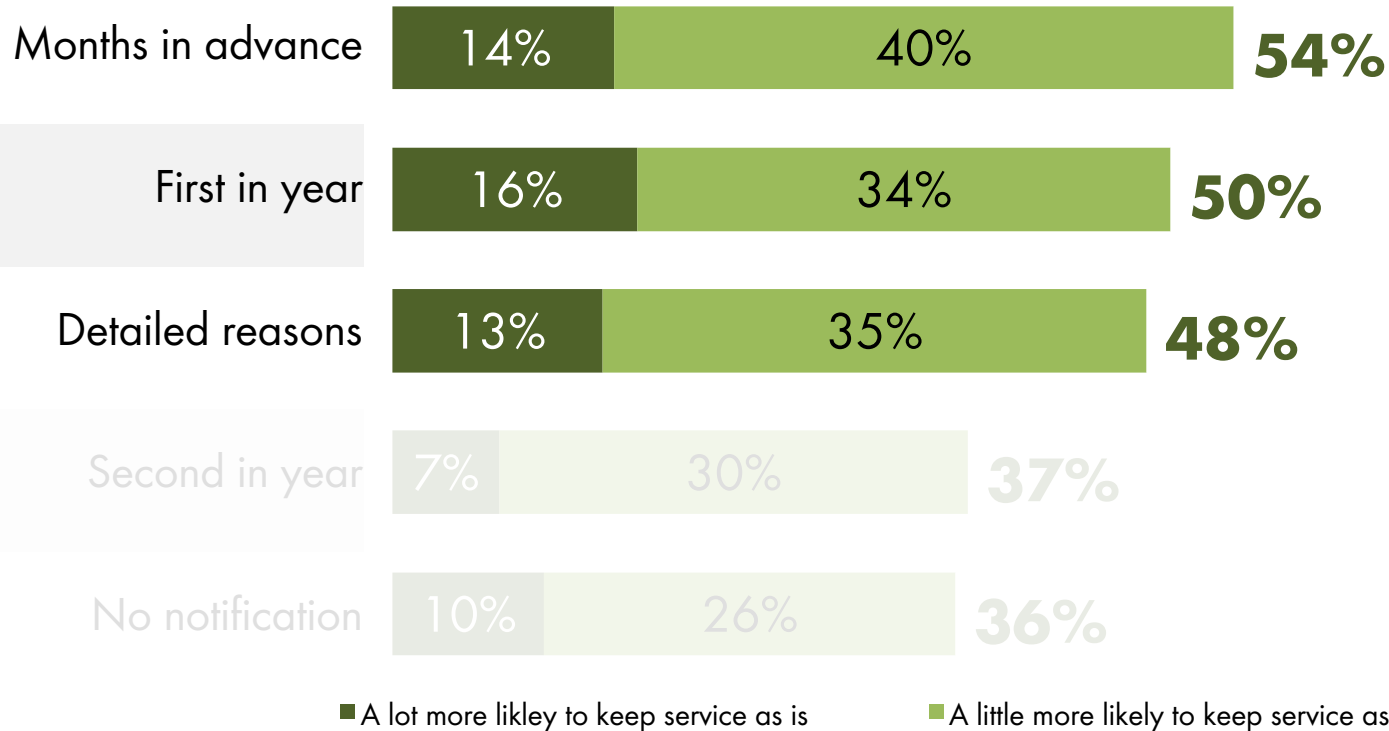
AMONG THOSE WHO WOULD CUT BACK OR CANCEL IF PRICE INCREASED



# ... Several months of notice, the first increase in a year, and a detailed explanation for the price jump

WOULD ANY OF THESE SCENARIOS MAKE YOU MORE LIKELY TO KEEP YOUR **MVPD SUBSCRIPTION** UNCHANGED?

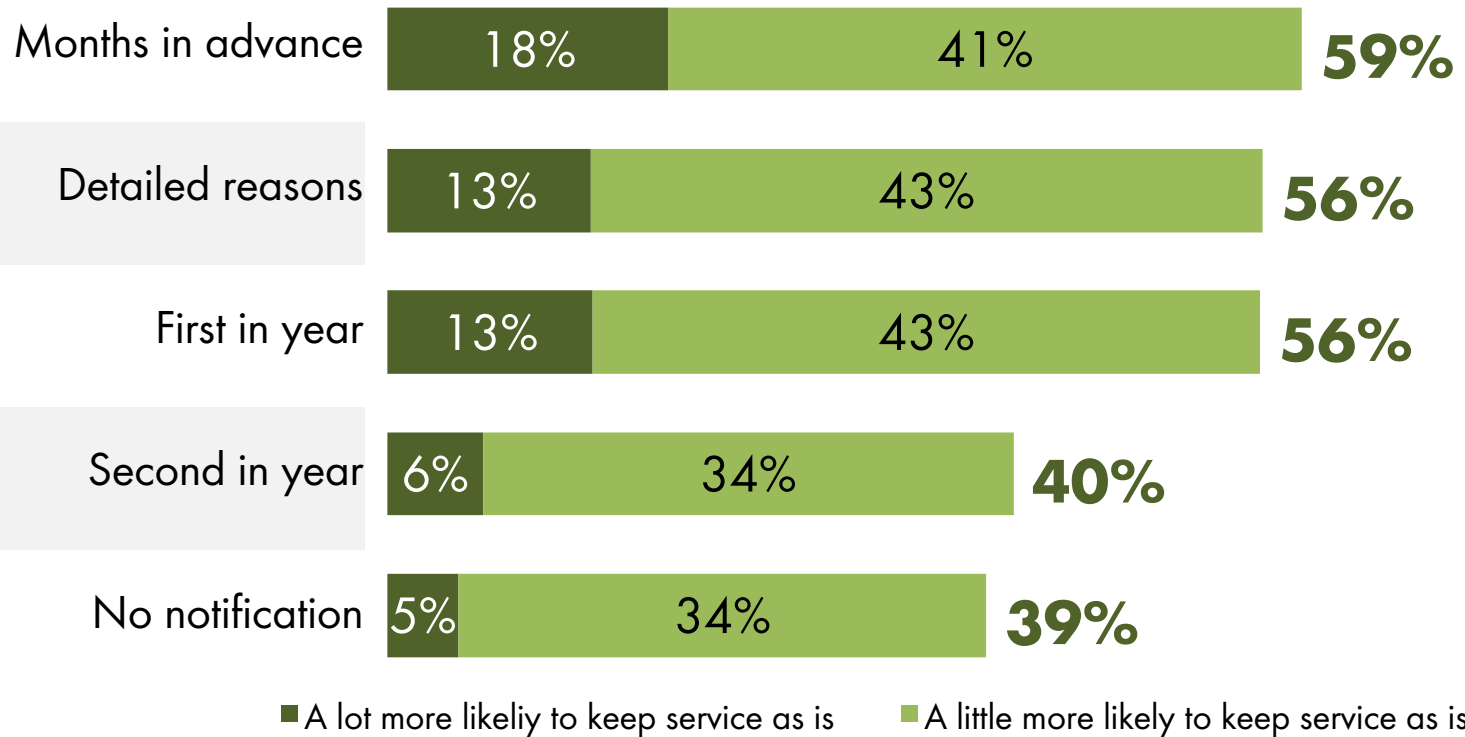
AMONG THOSE WHO WOULD CUT BACK OR CANCEL IF PRICE INCREASED



# The same three strategies would persuade Netflix subscribers to keep their subscription even if the price went up

WOULD ANY OF THESE SCENARIOS MAKE YOU MORE LIKELY TO KEEP YOUR **NETFLIX SUBSCRIPTION** UNCHANGED?

AMONG THOSE WHO WOULD CUT BACK OR CANCEL IF PRICE INCREASED



# How would Netflix subscribers react, if Netflix added advertising?

# NETFLIX

We asked Netflix subscribers how likely they would be to keep their subscription if Netflix included advertising. We tested 5 different combinations of ad delivery and subscription pricing:

## Ad delivery:

1. Pre-roll ads only

2. Pre-roll and mid-roll ads

3. Pre-roll and mid-roll ads

4. Pre-roll and mid-roll ads

5. Pre-roll and mid-roll ads

+

+

+

+

+

## Price point:

Same monthly fee as current

Same monthly fee as current

\$1 less per month

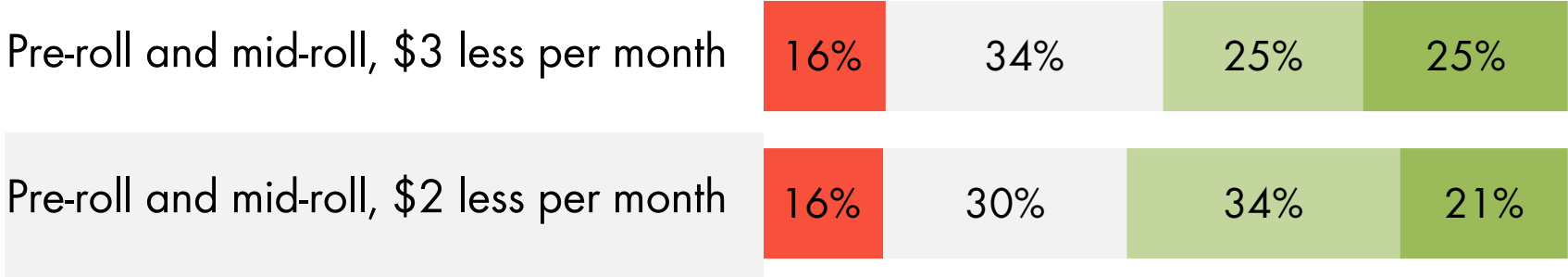
\$2 less per month

\$3 less per month

# Netflix subs would be most likely to keep the service, even with ads throughout shows, if the sub fee dropped by \$2 or more

## HOW LIKELY WOULD YOU BE TO KEEP YOUR NETFLIX SUBSCRIPTION?

### AMONG NETFLIX SUBSCRIBERS

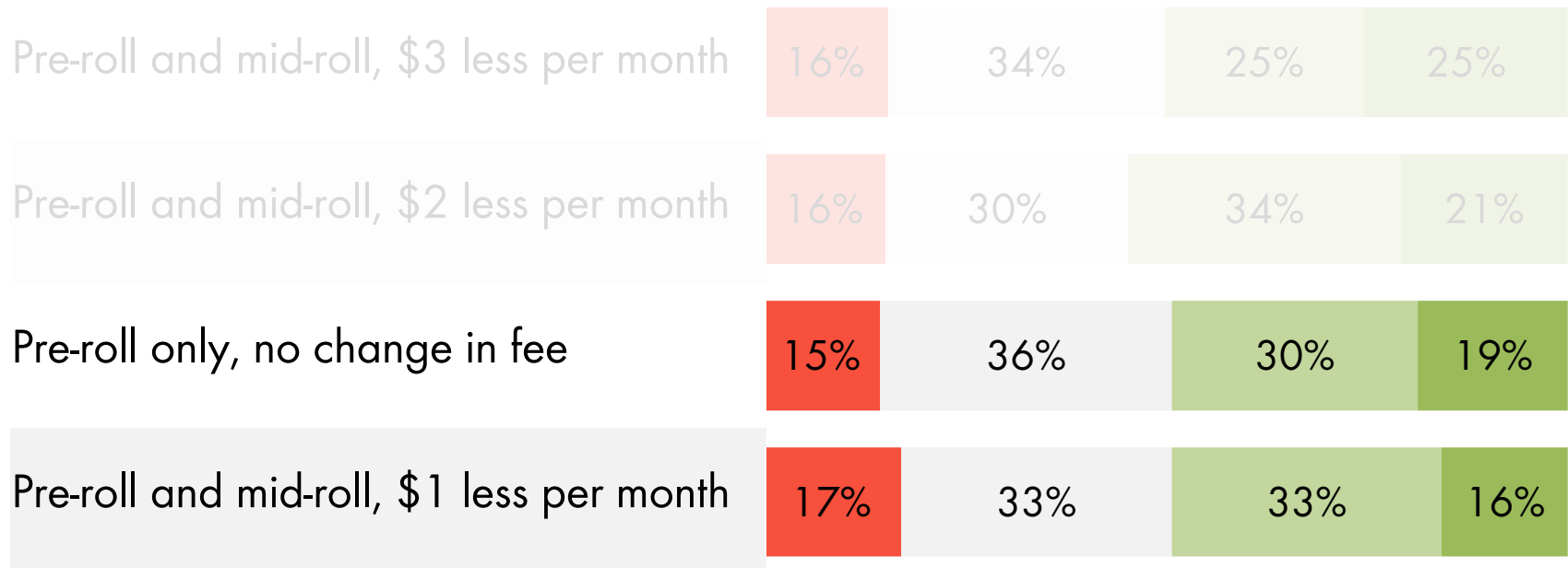


■ Definitely/probably drop   ■ Might keep   ■ Probably keep   ■ Definitely keep

# Subs would be slightly less inclined to keep Netflix if it added pre-roll ads, or pre/mid-roll with just a \$1 drop

HOW LIKELY WOULD YOU BE TO KEEP YOUR NETFLIX SUBSCRIPTION?

AMONG NETFLIX SUBSCRIBERS

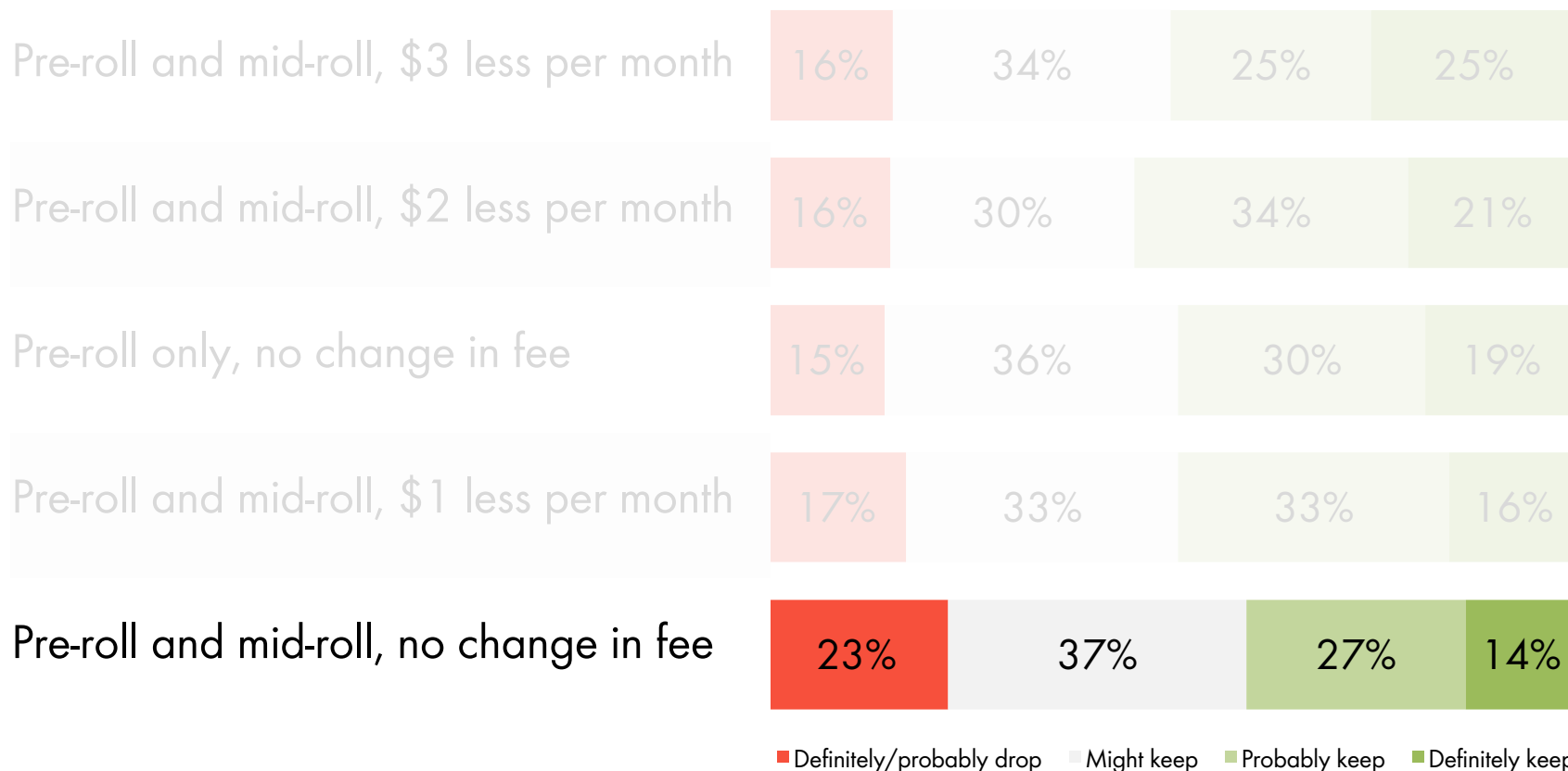


■ Definitely/probably drop ■ Might keep ■ Probably keep ■ Definitely keep

# About one-fourth of subs say they'd drop if Netflix decided to include ads throughout each show without a price decrease

HOW LIKELY WOULD YOU BE TO KEEP YOUR NETFLIX SUBSCRIPTION?

AMONG NETFLIX SUBSCRIBERS



Finally: we did a test to see how Netflix subscribers would react if the service added an ad-supported option to its existing plan

# NETFLIX

Suppose Netflix offered you these two different plans. Which one would you choose?

## Ad Free Plan

## Ad Supported Plan

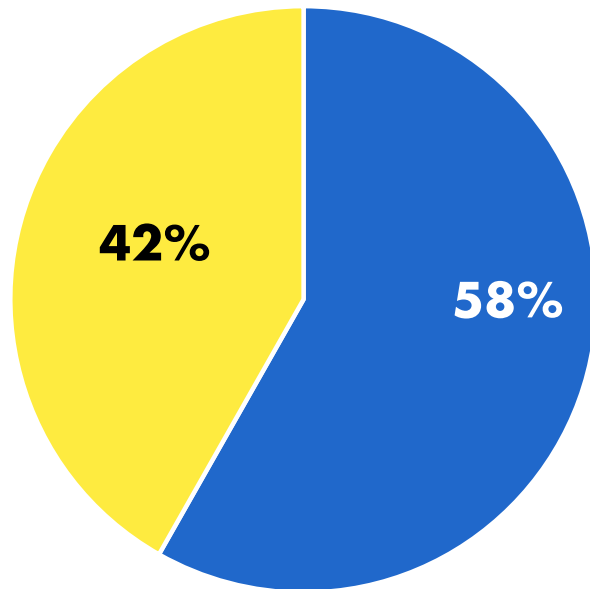
- |           |                                     |    |                                     |
|-----------|-------------------------------------|----|-------------------------------------|
| <b>1.</b> | \$1 more per month than current fee | OR | \$1 less per month than current fee |
| <b>2.</b> | \$2 more per month                  | OR | \$2 less per month                  |
| <b>3.</b> | \$3 more per month                  | OR | \$3 less per month                  |



With a \$2 cost differential between the ad-free and ad-supported plan, most Netflix subs would still pick ad-free

WHICH NETFLIX PLAN WOULD YOU PREFER?

AMONG NETFLIX SUBSCRIBERS



What if...

- Ad supported plan were **\$1 less** than current fee
- And ad-free plan were **\$1 more** than current fee...?



Prefer ad free plan



Prefer ad supported plan

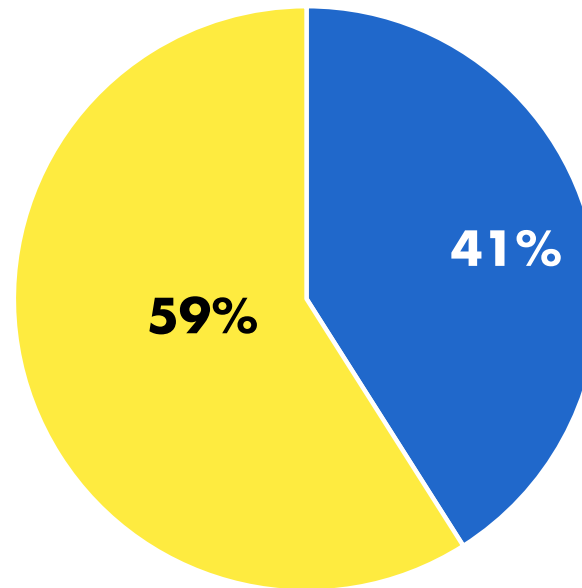
Once the difference between ad free and ad-support hits \$4 per month, nearly 6 in 10 would switch to ad support

WHICH NETFLIX PLAN WOULD YOU PREFER?

AMONG NETFLIX SUBSCRIBERS

What if...

- Ad supported plan were **\$2 less** than current fee
- And ad-free plan were **\$2 more** than current fee...?



Prefer ad free plan



Prefer ad supported plan

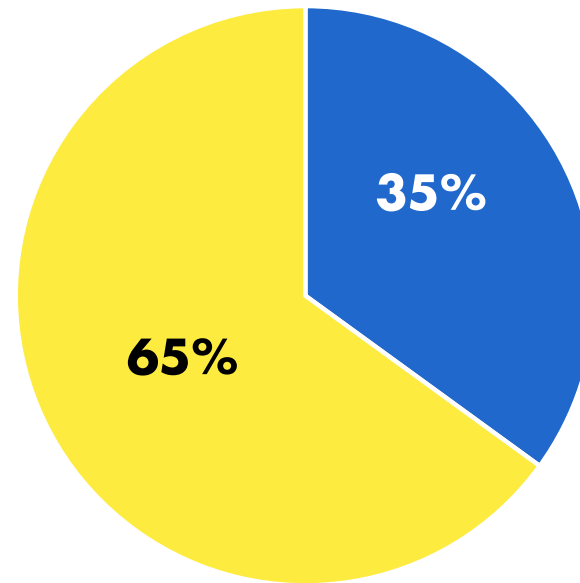
At a \$6 spread between the two plans, two-thirds would pick ad-support; one-third would opt for ad-free...

WHICH NETFLIX PLAN WOULD YOU PREFER?


AMONG NETFLIX SUBSCRIBERS

What if...

- Ad supported plan were **\$3 less** than current fee
- And ad-free plan were **\$3 more** than current fee...?



 Prefer ad free plan

 Prefer ad supported plan



# Impact of Ads on Platform Perceptions

# We began our look at perceptions of ads by asking consumers what they consider to be the top benefits of different services

- 1. Ad Skipping** Allows you to fast forward through commercials
- 2. Limited Ads** Has fewer commercials than regular live TV
- 3. No Ads** Has no commercials
- 4. Watch Live** Allows you to watch TV shows, news, and sports live—at the same time and day they air
- 5. Local Channels** Includes local channels from your city or region
- 6. Low Price** The cost is lower than other TV sources
- 7. Picture Quality** Has excellent, high definition picture quality
- 8. Exclusive Shows** Includes original shows you can't watch anywhere else
- 9. Variety** Has a large selection of shows and movies to choose from
- 10. Show Availability** Episodes of shows are available very quickly after they air for the first time on "regular" TV
- 11. Easy to Binge** It's easy to watch multiple episodes of the same show back to back to back
- 12. Easy to Search** The interface makes it easy to find specific shows you want to watch

# Local channels and live shows are the top benefits of linear MVPD service; ad skipping is by far the top benefit of DVRs

WHAT ARE THE **KEY BENEFITS** OF THAT TV SOURCE?

## Live TV from MVPD

Local Channels  
**54%**

Watch Live  
**53%**

Picture Quality  
**36%**

## DVR from MVPD

Ad Skipping  
**69%**

Easy to Binge  
**42%**

Show Availability  
**37%**

## VOD from MVPD

Variety  
**36%**

Easy to Search  
**33%**

Show Availability  
**32%**

# “No ads” tops the list of benefits for Netflix and Amazon; for Hulu, price and binge-worthy variety are key elements

WHAT ARE THE **KEY BENEFITS** OF THAT TV SOURCE?

**NETFLIX**

No Ads  
**61%**

Low Price  
**60%**

Easy to Binge  
**60%**

**hulu** on demand

Low Price  
**53%**

Easy to Binge  
**52%**

Variety  
**50%**

**amazon**  
Prime instant video

No Ads  
**54%**

Variety  
**46%**

Exclusive Shows  
**44%**

# VMVPDs are rated high for live viewing and low price; DTC and transactional services for variety

WHAT ARE THE **KEY BENEFITS** OF THAT TV SOURCE?

## Live TV from VMVPD

Watch Live

**51%**

Low Price

**48%**

Easy to Binge

**38%**

## Direct to Consumer network subscription

Variety

**56%**

Picture Quality

**53%**

No Ads

**49%**

## Transactional Platform

Variety

**39%**

Easy to Search

**35%**

No Ads

**33%**



## Next, we asked consumers to name what they consider to be the biggest **drawbacks** to each service

- 1. Ads** Commercials are included in shows
- 2. No Ad Skipping** Commercials are included and you can't fast forward through them
- 3. Ad Repetition** You often see the exact same commercial repeated many times during the same show
- 4. No Live TV** Doesn't allow you to watch TV shows, news, and sports live—at the same time and day they air
- 5. No Local Channels** Does not include local channels from your city or region
- 6. High Price** It costs more than other TV sources
- 7. Inconsistent Picture Quality** Picture quality is not always high quality
- 8. No Exclusive Shows** Does not offer original shows that you can't watch anywhere else
- 9. Lack of Variety** Selection of shows and movies is too small
- 10. Slow Show Availability** Shows take too long to become available after they air for the first time on live TV
- 11. Difficult to Binge** It's hard to watch multiple episodes of the same show back to back to back
- 12. Difficult to Search** The interface makes it hard to find specific shows you want to watch

# In addition to high price, especially for MVPD service, all of the top drawbacks of MVPD service are ad-related

WHAT ARE THE **KEY DRAWBACKS** OF THAT TV SOURCE?

## Live TV from MVPD

High Price

**44%**

Ads

**44%**

No Ad Skipping

**39%**

## DVR from MVPD

Ads

**28%**

High Price

**24%**

Ad Repetition

**15%**

## VOD from MVPD

Ads

**36%**

No Ad Skipping

**35%**

High Price

**32%**

We also see consistency in the top drawbacks of SVODs, most having to do with lack of live TV or local channels

WHAT ARE THE **KEY DRAWBACKS** OF THAT TV SOURCE?

**NETFLIX**

No Live TV

**48%**

No Local Channels

**39%**

Slow Show Availability

**25%**

**hulu** On Demand

No Local Channels

**29%**

No Live TV

**27%**

Ad Repetition

**27%**

**amazon**  
Prime instant video

No Live TV

**36%**

No Local Channels

**35%**

Lack of Variety

**21%**

# Ad-related reasons rank 1, 2 and 3 as main drawbacks of linear TV via VMVPD

WHAT ARE THE **KEY DRAWBACKS** OF THAT TV SOURCE?

## Live TV from VMVPD

Ad Repetition

**43%**

No Ad Skipping

**38%**

Ads

**32%**

## Direct to Consumer Subscription

High Price

**55%**

No Local Channels

**35%**

No Live TV

**34%**

## Transaction Service (e.g., iTunes)

High Price

**42%**

No Live TV

**24%**

Slow Show Availability

**20%**

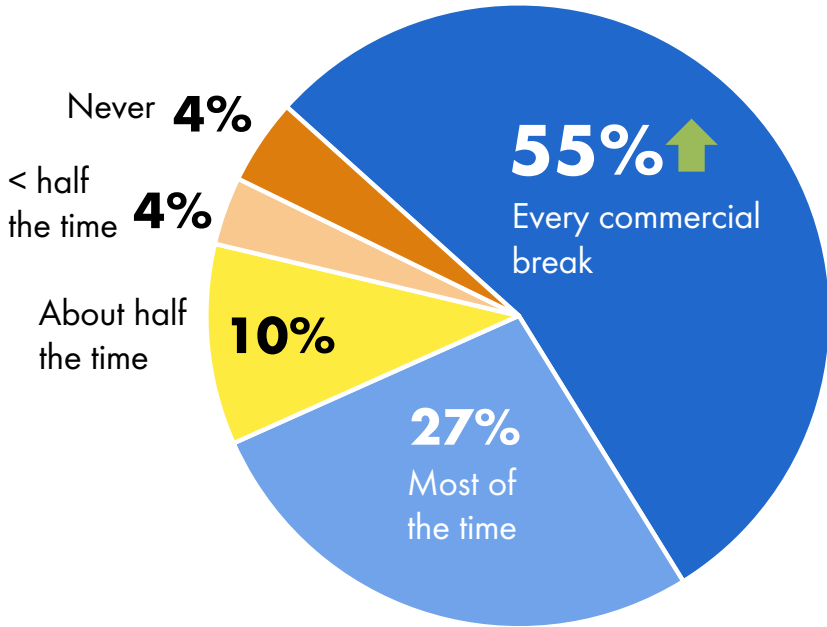


# Ad Behaviors and Preferences

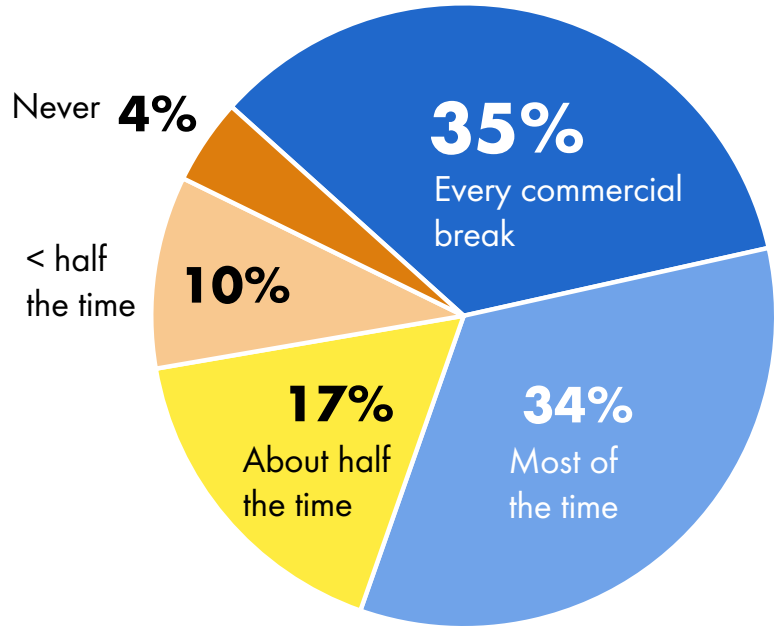
# More than half of MVPD subs with a DVR use it to fast forward through ads at every commercial break

HOW OFTEN DO YOU FAST FORWARD THROUGH COMMERCIALS WHEN AVAILABLE?

### Have DVR from MVPD



### Have DVR from VMVPD



↑ Greater than other group

Q8A: When you are watching a show from each of the following sources, about how often do you fast forward through the commercials, when fast forward is available?

And whether it's with an MVPD DVR or VMVPD DVR feature, the majority of viewers skip through ads at least most of the time

HOW OFTEN DO YOU FAST FORWARD THROUGH COMMERCIALS WHEN AVAILABLE?

**Have DVR from MVPD**

**82%**

**Most or every  
commercial  
break**

**Have DVR from VMVPD**

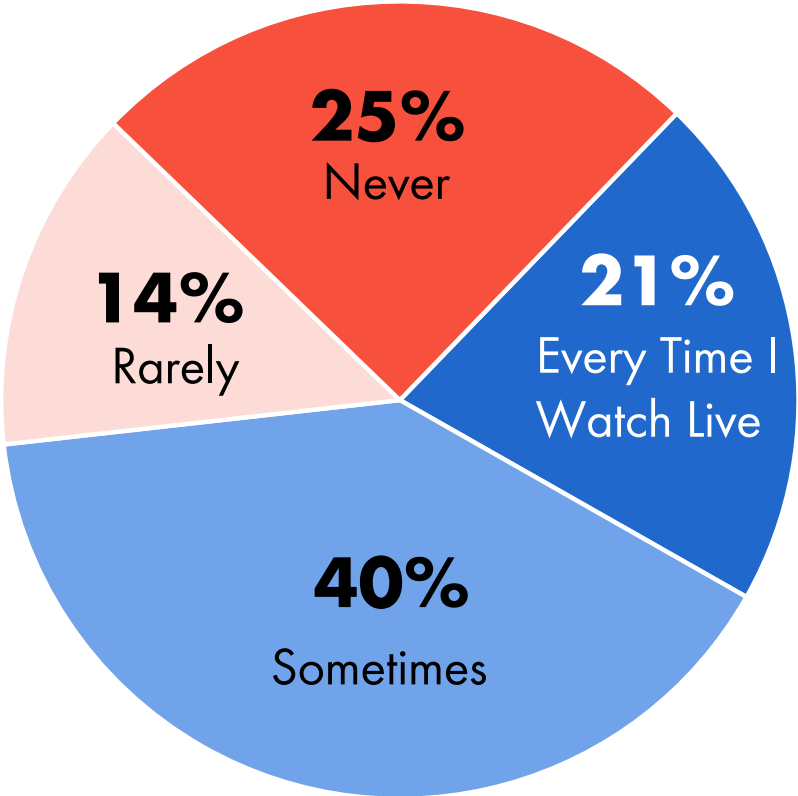
**69%**

**Most or every  
commercial  
break**

In addition, 1 in 5 MVPD subs with a DVR say they always delay starting live TV content in order to be able to skip ads

EVER DELAY STARTING A LIVE SHOW TO SKIP ADS WITH DVR?

Have DVR from MVPD



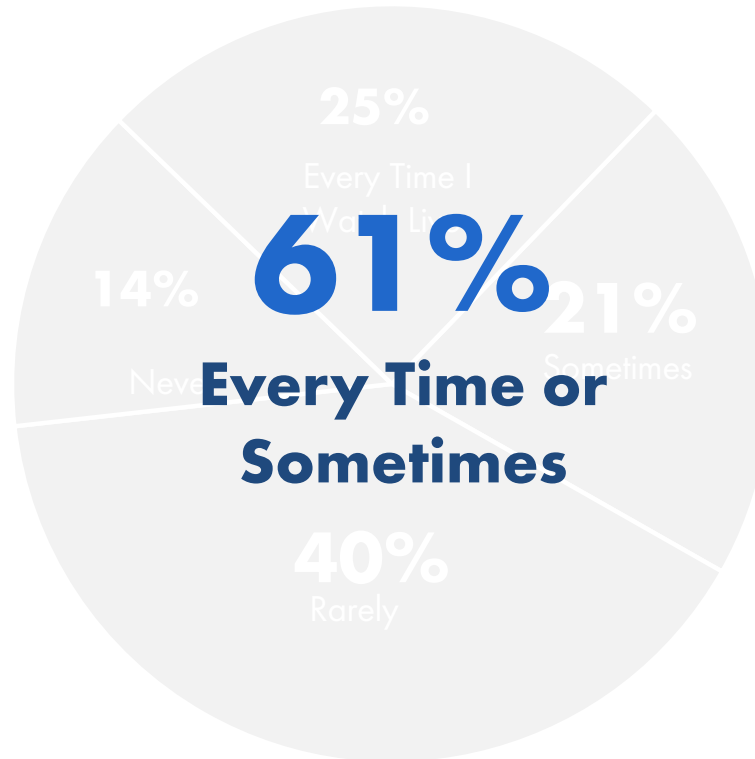
Q8B: Do you ever delay starting a live show until the show has been on for a little while, so you can use your DVR to fast forward through the commercials?



In fact, 6 in 10 say they use the delay-start-with-DVR tactic at least some of the time they watch live TV

EVER DELAY STARTING A LIVE SHOW TO SKIP ADS WITH DVR?

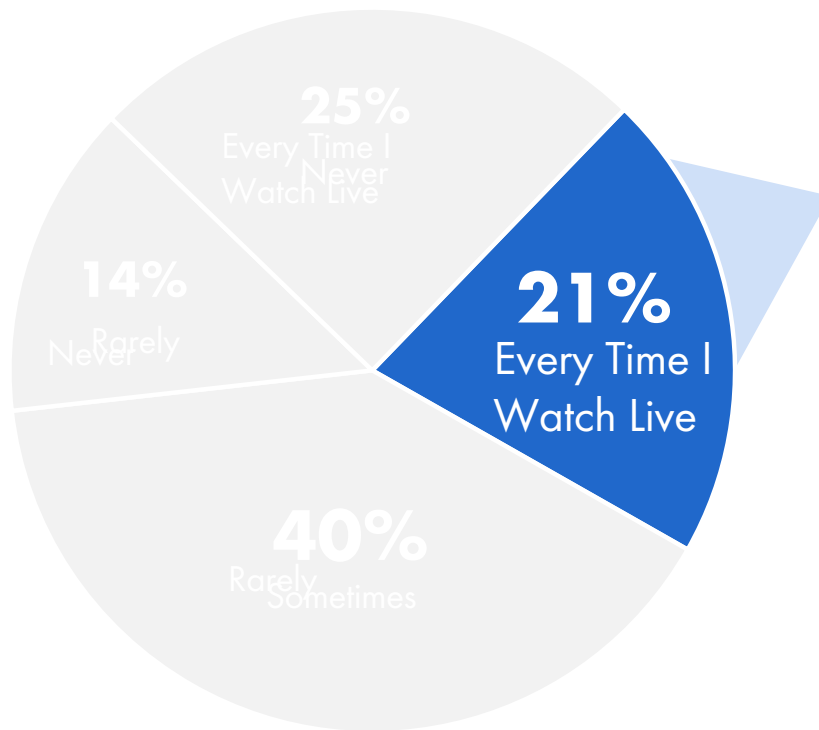
### Have DVR from MVPD



# Young viewers, and those accustomed to ad-free viewing (SVOD subs, binge viewers) are most apt to use the delay-start technique

EVER DELAY STARTING LIVE SHOW TO SKIP ADS WITH DVR?

## Have DVR from MVPD



### Highest On "Delay Start with DVR" Every Time

Age 18-24	30%
Binge view monthly +	26%
SVOD subs	24%

Even with fast forward typically disabled on VOD platforms, majorities of MVPD/VMVPD subs still expect FF to be enabled

DO YOU EXPECT FAST FORWARD TO BE AVAILABLE WITH...

Among Users of Each

	VOD from MVPD	VOD from VMVPD	Hulu (Limited Ad Plan)	TVE from MVPD	TVE from Networks
Expect to be able to fast forward	59%	57%	45%	60%	48%
Expect to NOT be able to fast forward	14%	24%	21%	23%	23%
No expectation	27%	19%	35%	16%	28%

# And 3 in 10 or more say it's a "major" frustration when they can't fast forward on these platforms

WHEN YOU CAN'T FAST FORWARD, IS IT...

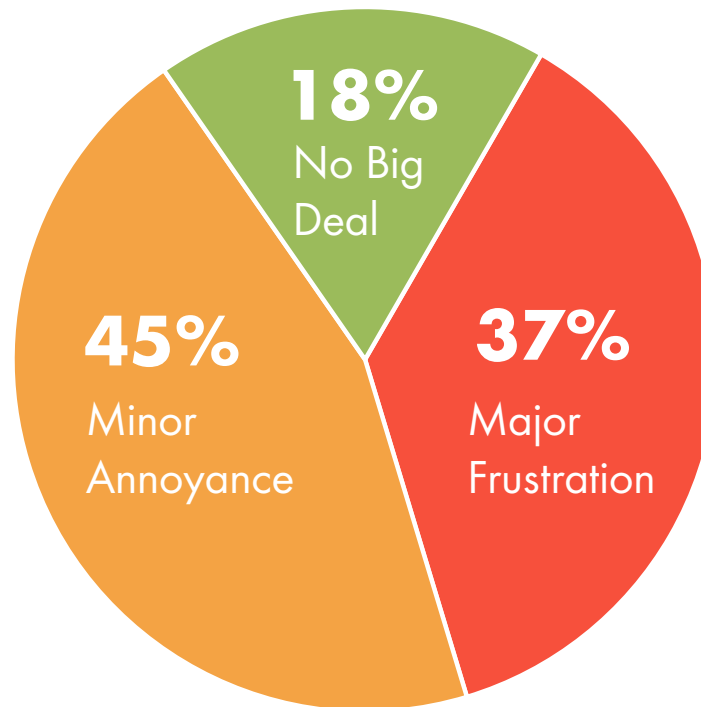
## Among Users of Each

	VOD from MVPD	VOD from VMVPD	Hulu (Limited Ad Plan)	TVE from MVPD	TVE from Networks
A major frustration	40%	38%	29%	34%	37%
A minor annoyance	44%	49%	50%	52%	47%
No big deal	15%	13%	21%	14%	16%

Across the platforms we tested, nearly 4 in 10, on average, call fast forward disabling a “major” frustration

WHEN YOU CAN'T FAST FORWARD, IS IT...

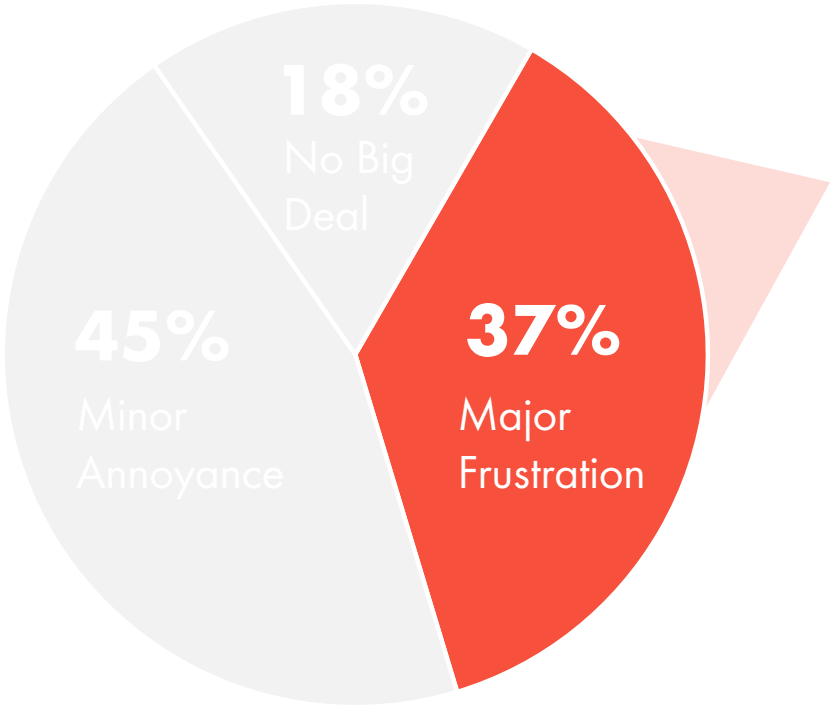
### NET Across All Services



# Most likely to feel frustrated: consumers assumed to be linear TV's biggest supporters: high-value MVPD subs and older viewers

WHEN YOU CAN'T FAST FORWARD, IS IT...

## NET Across All Services



Highest on Fast Forward Disabling is a "Major Frustration"

High value MVPD subs*	45%
35-74 year olds	40%

\*Subs with VOD, HD, Premium networks

# How does the viewing experience differ across ad-supported TV platforms?

We chose respondents who had recently watched something on one of these ad-supported platforms:

Live TV from  
MVPD Set-Top  
Box

VOD from MVPD  
Set-Top Box

Live TV from  
VMVPD service

TVE from MVPD Site  
or App

TVE from  
Network Site or  
App

Hulu SVOD

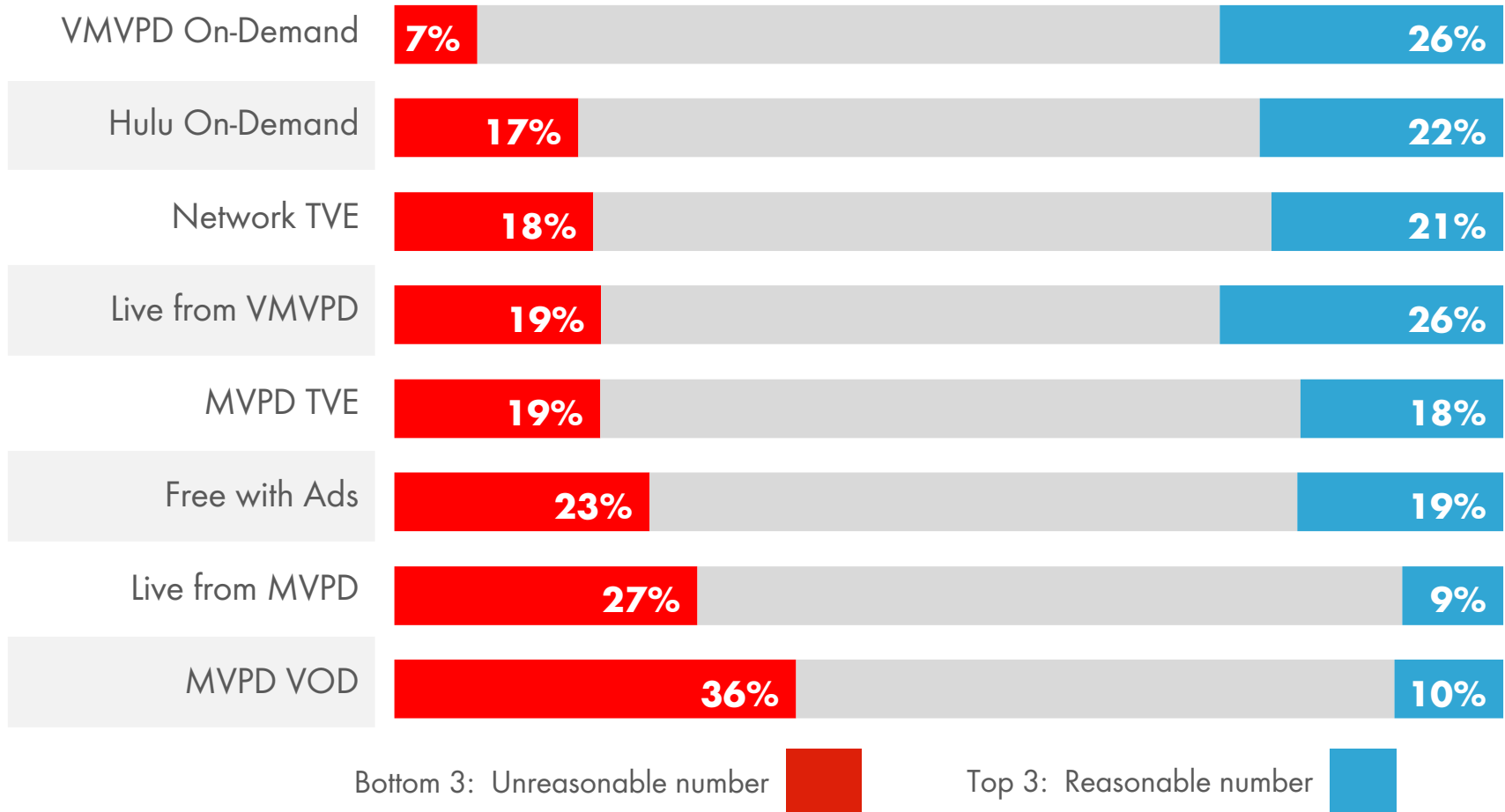
On-Demand  
from VMVPD  
Service

Free Online Service  
with Ads

Then we asked a battery of questions about their viewing experience – both overall and of advertising specifically – so we could compare across platforms.

# We first asked whether they felt the number of ads was reasonable or unreasonable, using an 11-point scale

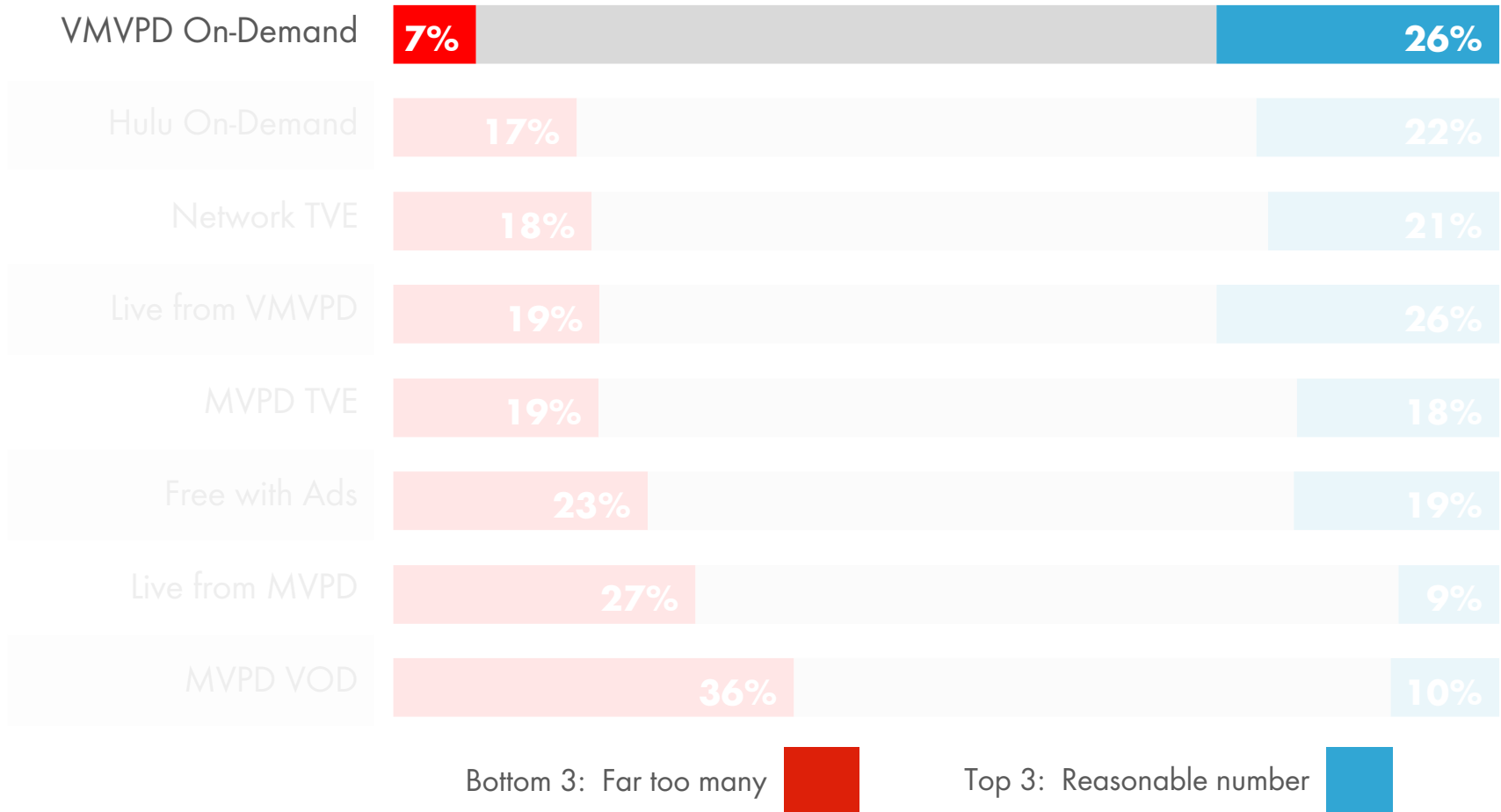
HOW DO YOU FEEL ABOUT THE NUMBER OF COMMERCIALS DURING THE EPISODE?  
BY PLATFORM THEY WATCHED ON





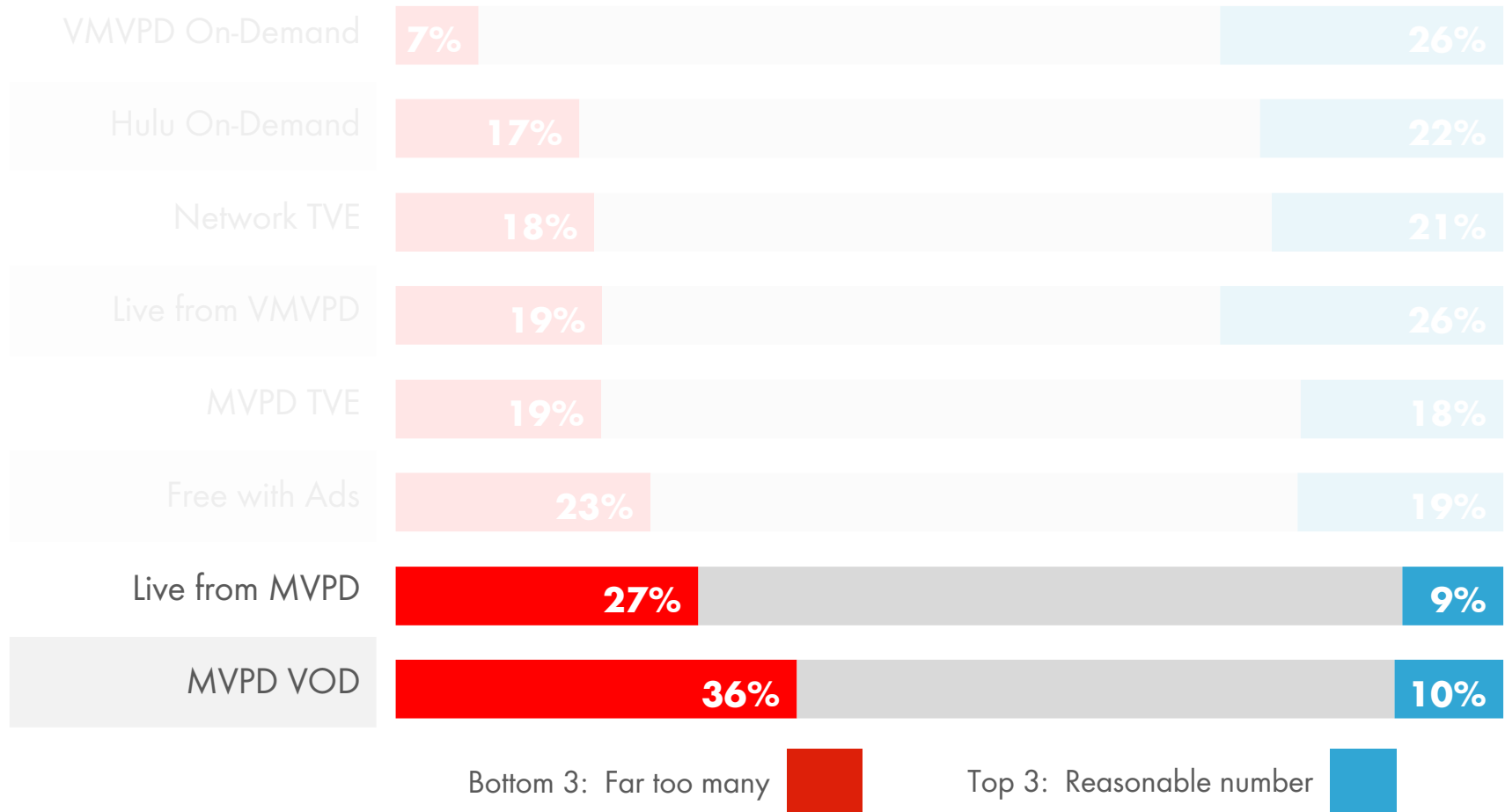
# Considered most reasonable: the number of ads during on-demand via VMVPD

HOW DO YOU FEEL ABOUT THE NUMBER OF COMMERCIALS DURING THE EPISODE?  
BY PLATFORM THEY WATCHED ON



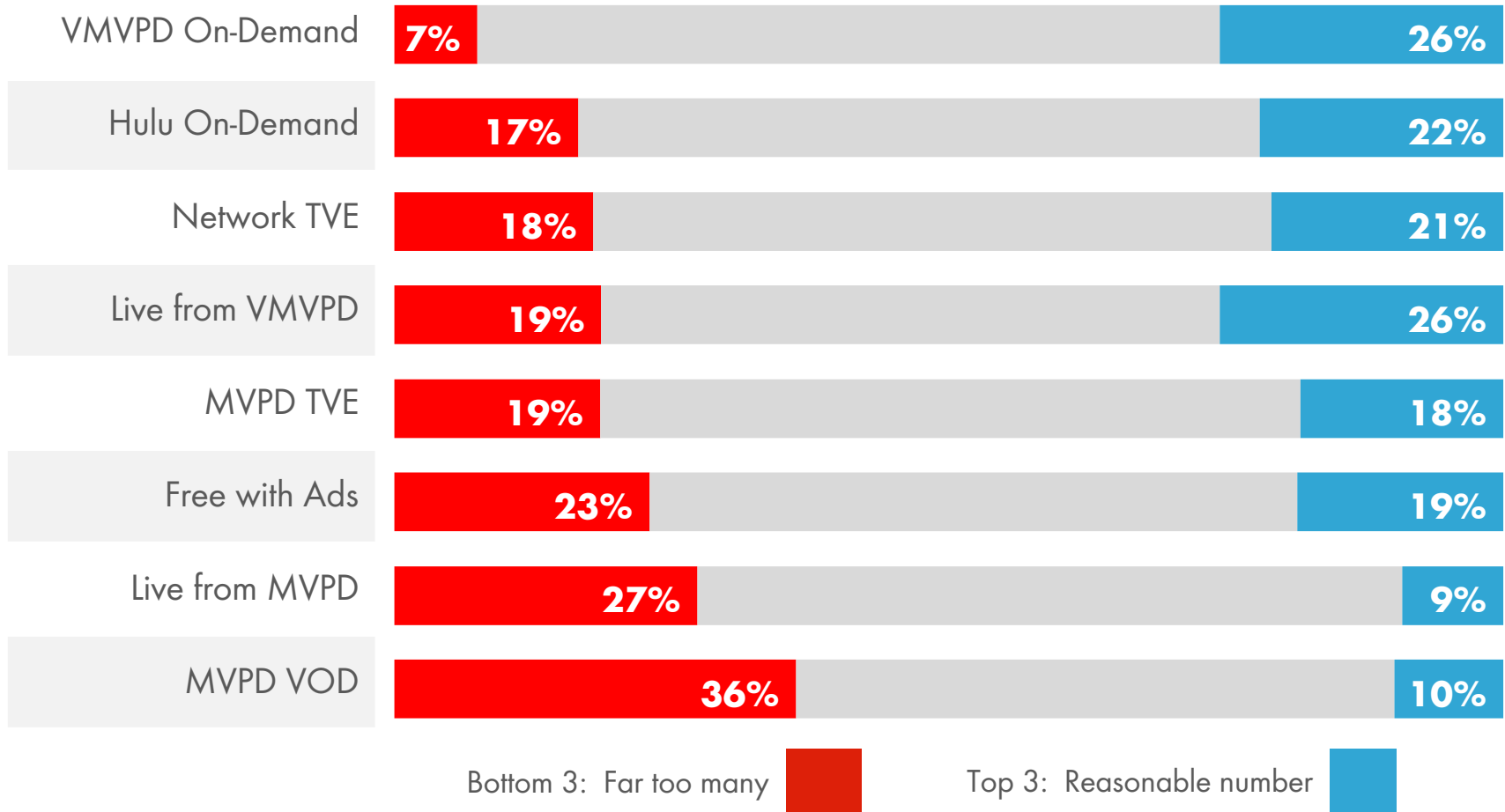
# Considered most unreasonable: VOD from the MVPD set-top box, seen as more unreasonable than even live TV from the set top

HOW DO YOU FEEL ABOUT THE NUMBER OF COMMERCIALS DURING THE EPISODE?  
BY PLATFORM THEY WATCHED ON



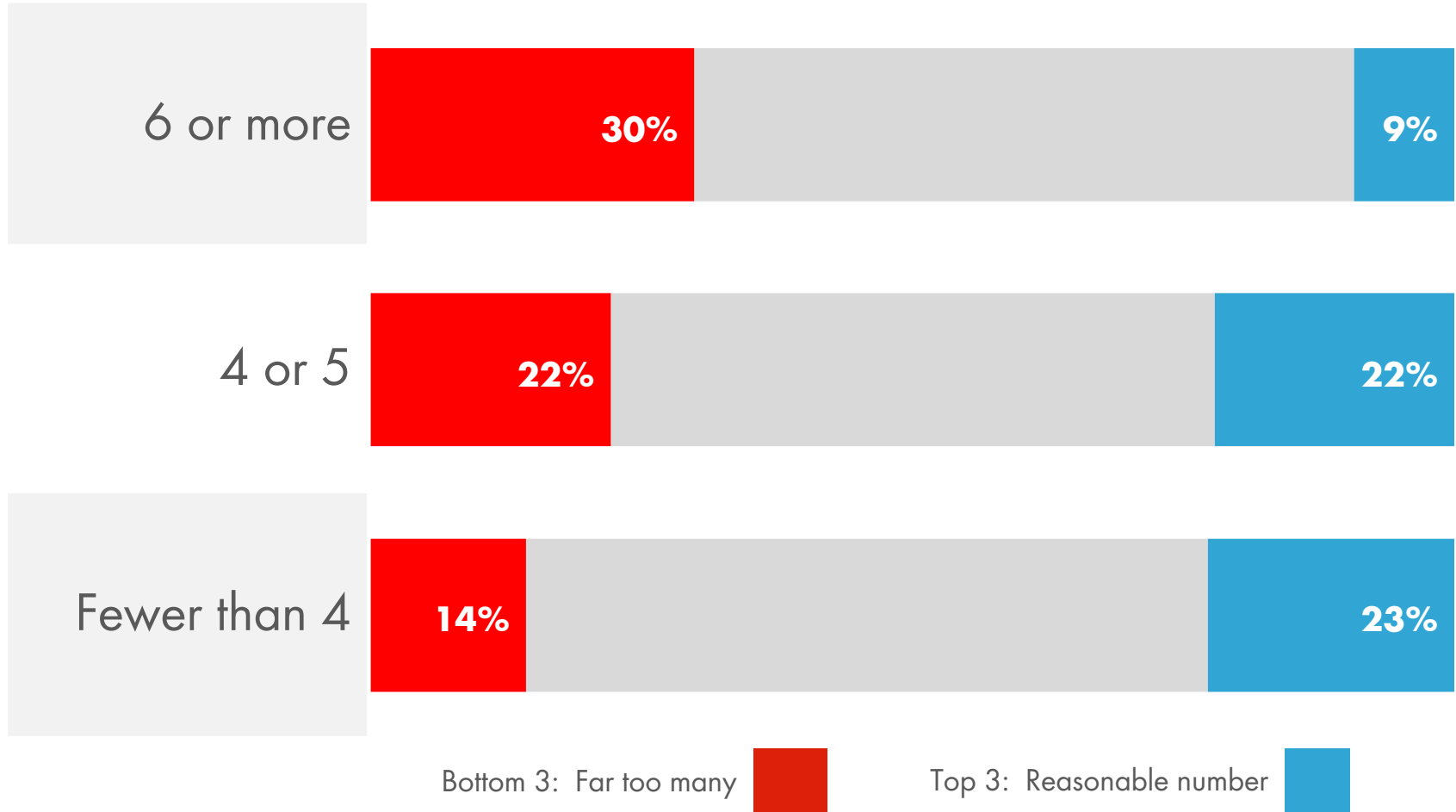
# The remaining platforms received relatively similar ratings on reasonableness of ad load

HOW DO YOU FEEL ABOUT THE NUMBER OF COMMERCIALS DURING THE EPISODE?  
BY PLATFORM THEY WATCHED ON



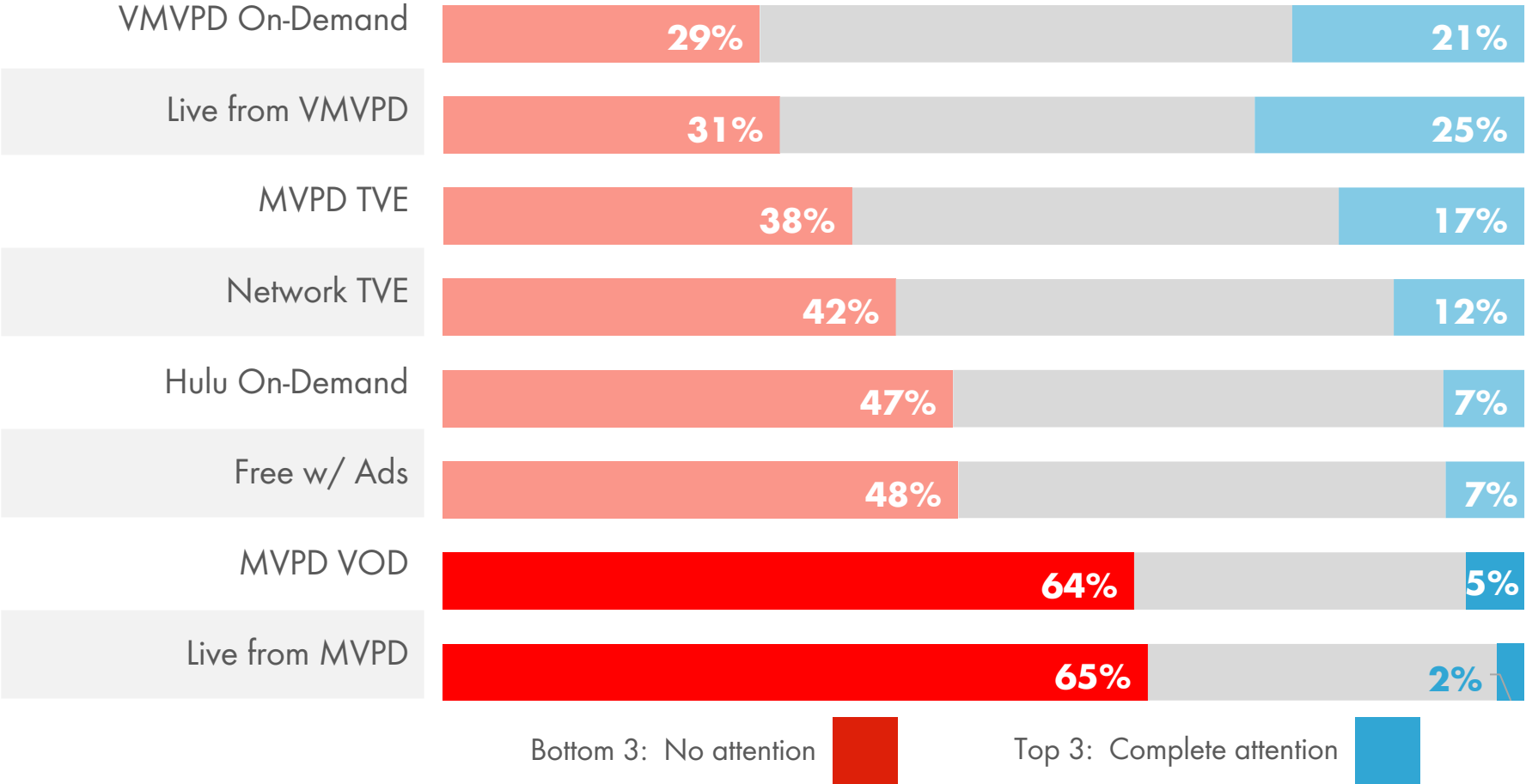
# We asked viewers to estimate the number of ads they saw; the “unreasonable” percent jumps significantly at 6+ ads per half-hour

HOW DO YOU FEEL ABOUT THE NUMBER OF COMMERCIALS DURING THE EPISODE?  
BY ESTIMATED NUMBER OF ADS PER 30 MINUTES



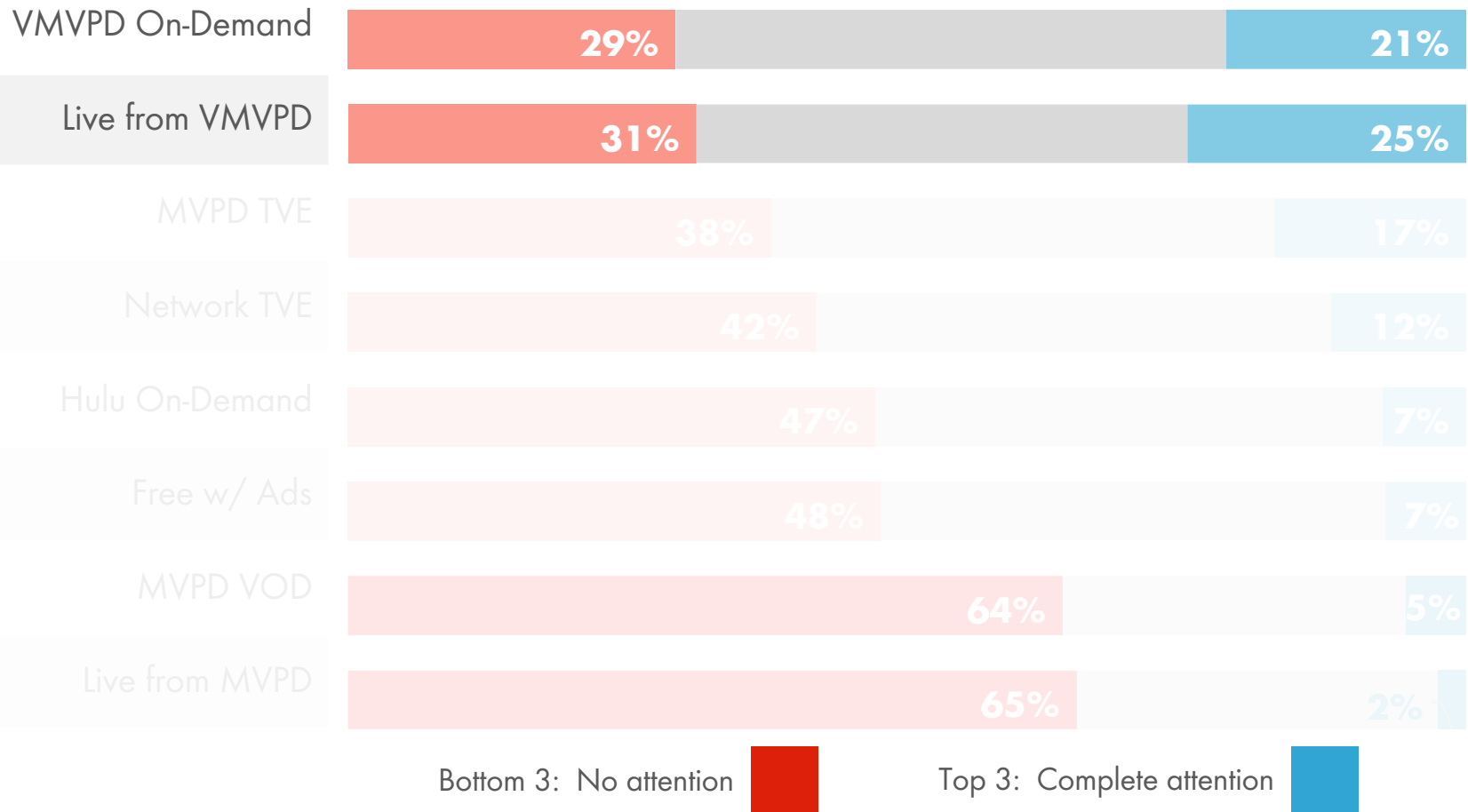
# When it comes to how much attention viewers say they paid to ads, the rank order is similar to the “reasonable/unreasonable” rank

## HOW MUCH ATTENTION DID YOU PAY TO THE ADS YOU SAW? BY PLATFORM THEY WATCHED ON



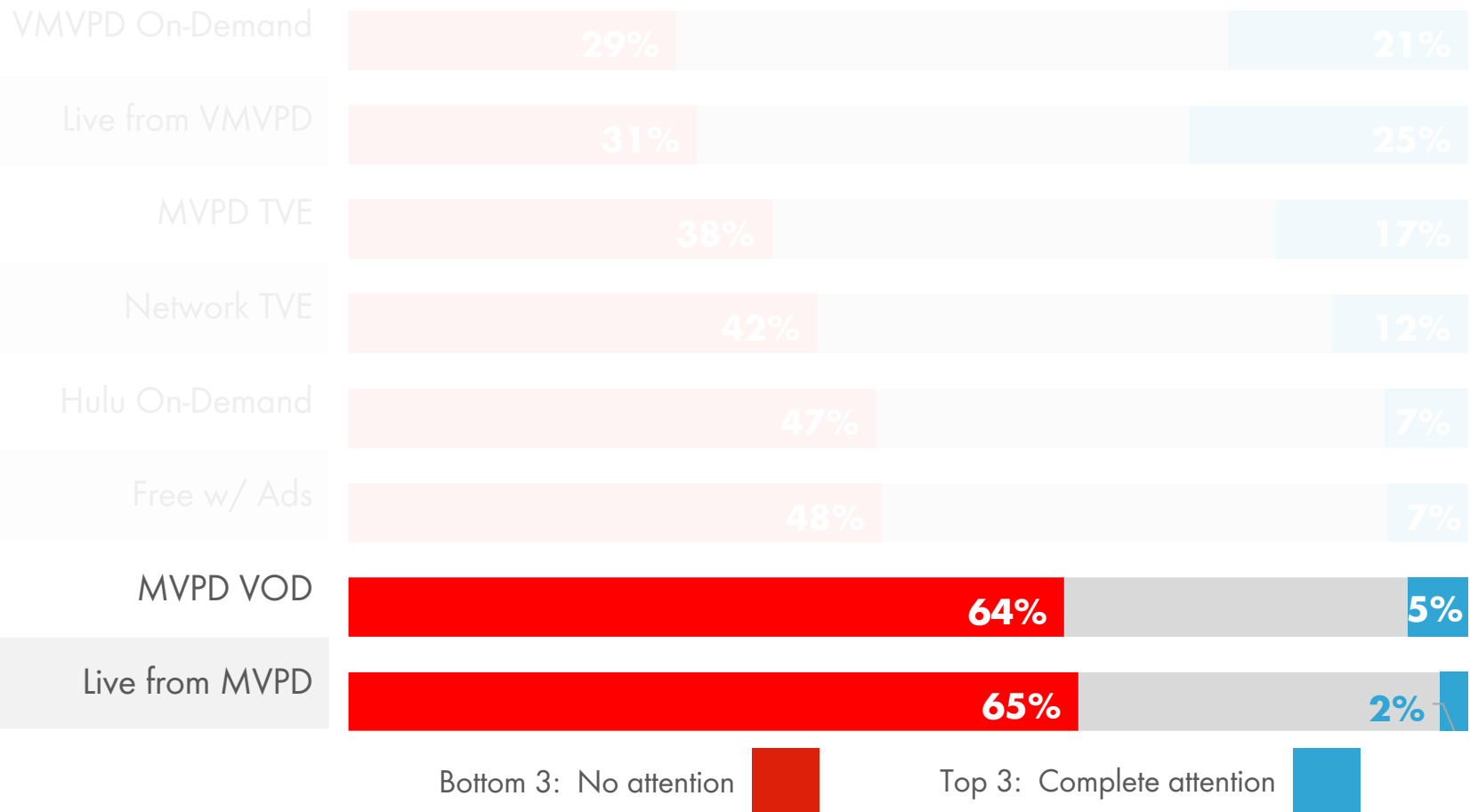
# Those watching from either on-demand or live via VMVPD were most likely to say they paid attention to commercials

HOW MUCH ATTENTION DID YOU PAY TO THE ADS YOU SAW?  
BY PLATFORM THEY WATCHED ON



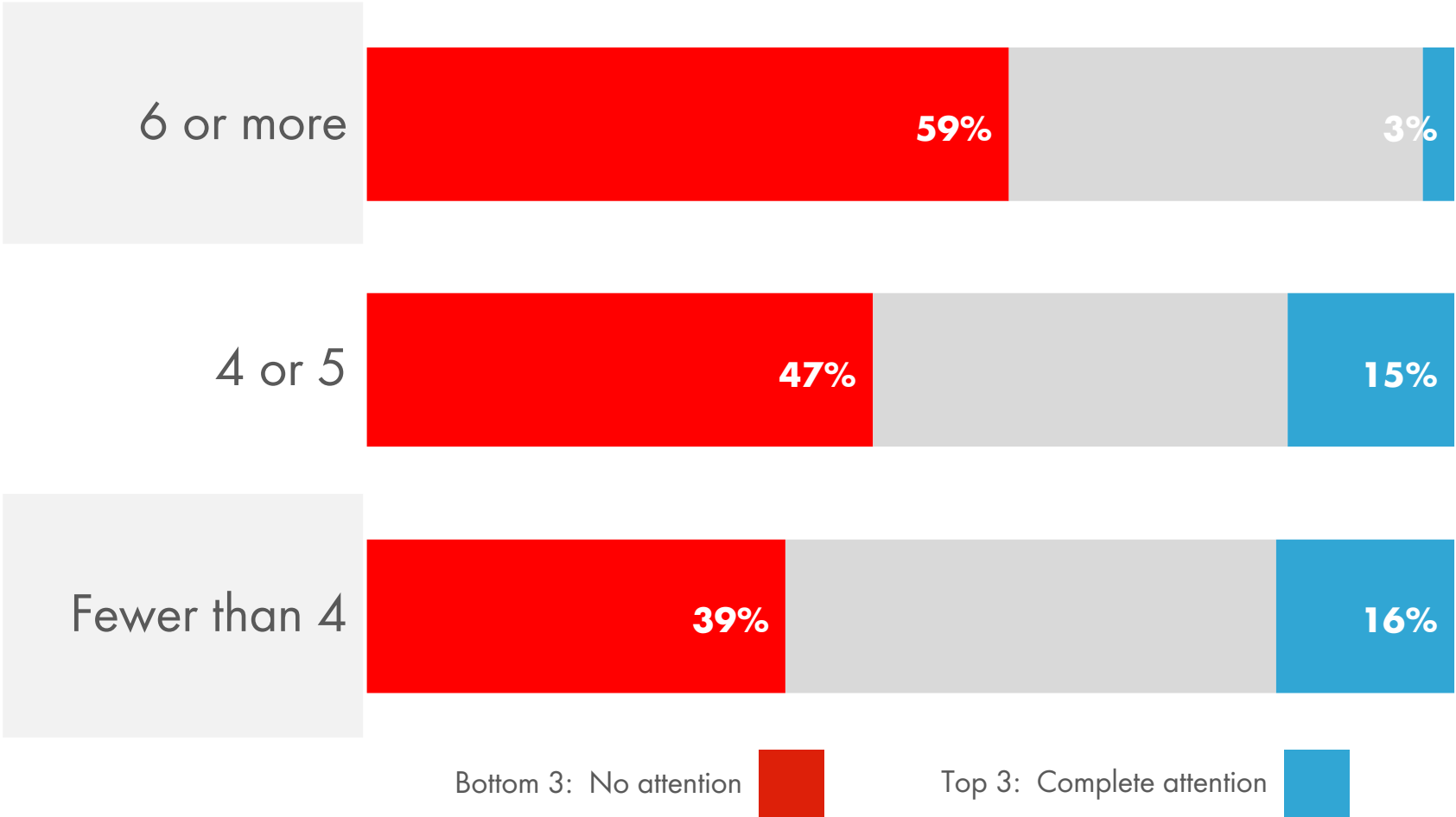
# But for those watching from the MVPD set-top box, either VOD or live, two-thirds say they didn't pay attention to ads

HOW MUCH ATTENTION DID YOU PAY TO THE ADS YOU SAW?  
BY PLATFORM THEY WATCHED ON



# As we saw with reasonableness, 4-5 ads per half-hour is a tipping point in ad inattention, peaking at 6 or more ads

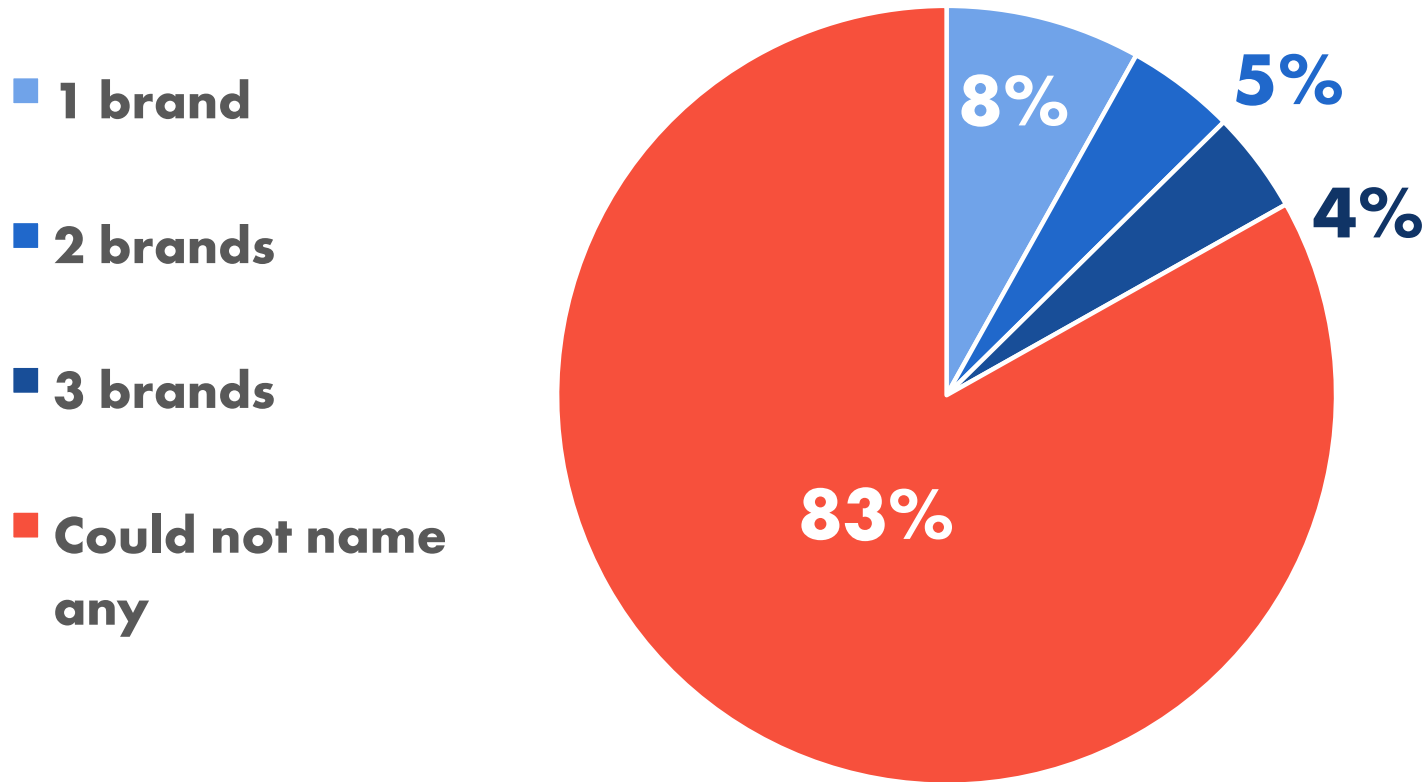
HOW MUCH ATTENTION DID YOU PAY TO THE ADS YOU SAW?  
BY ESTIMATED NUMBER OF ADS PER 30 MINUTES





Given the levels of inattention, it's not surprising that the vast majority of viewers could not remember any brands during the show

CAN YOU NAME ANY BRANDS FEATURED DURING COMMERCIALS?



# Finally, we asked viewers if they remembered any of these approaches to ad delivery during the show they watched:

- 1. Pre-roll commercials\*** Any commercials were shown before the show began—a commercial was the very first thing you saw
- 2. Repeated commercials** Any commercials during the show were repeated—the same commercial ran more than once
- 3. Fast forward disabled\*** Fast forwarding was disabled during the commercials, so you couldn't skip through them
- 4. Skip ads after a few seconds\*** You were allowed to skip ads after they had played for a certain amount of time (e.g. the first ten seconds)
- 5. Choice of product categories** You were given a choice of product categories or brands before the show, to customize the commercials you saw
- 6. Countdown clock** You could see a countdown clock telling you when the commercials would be over and the show would resume
- 7. Ads based on purchase or search** Seemed to be based on products you had purchased or searched for online

\* Not asked if show was watched live

# Ad repetition was the most commonly mentioned ad delivery approach across platforms, followed by fast forward disabling

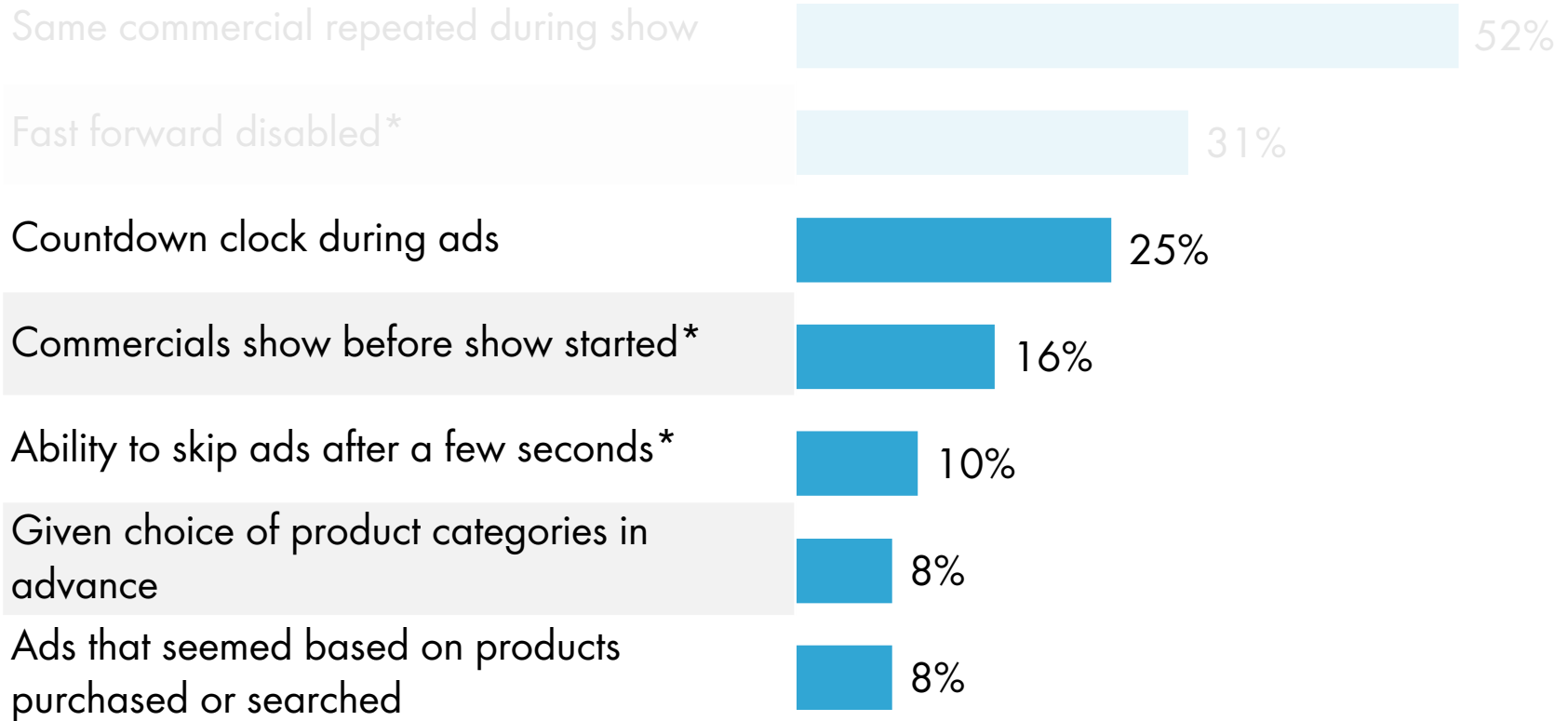
DID THE SHOW INCLUDE ANY OF THESE AD-DELIVERY METHODS?



\* Not asked if show was watched live

# Other features were much less common, including customized ad delivery based on product preference or purchase

## DID THE SHOW INCLUDE ANY OF THESE AD-DELIVERY METHODS?



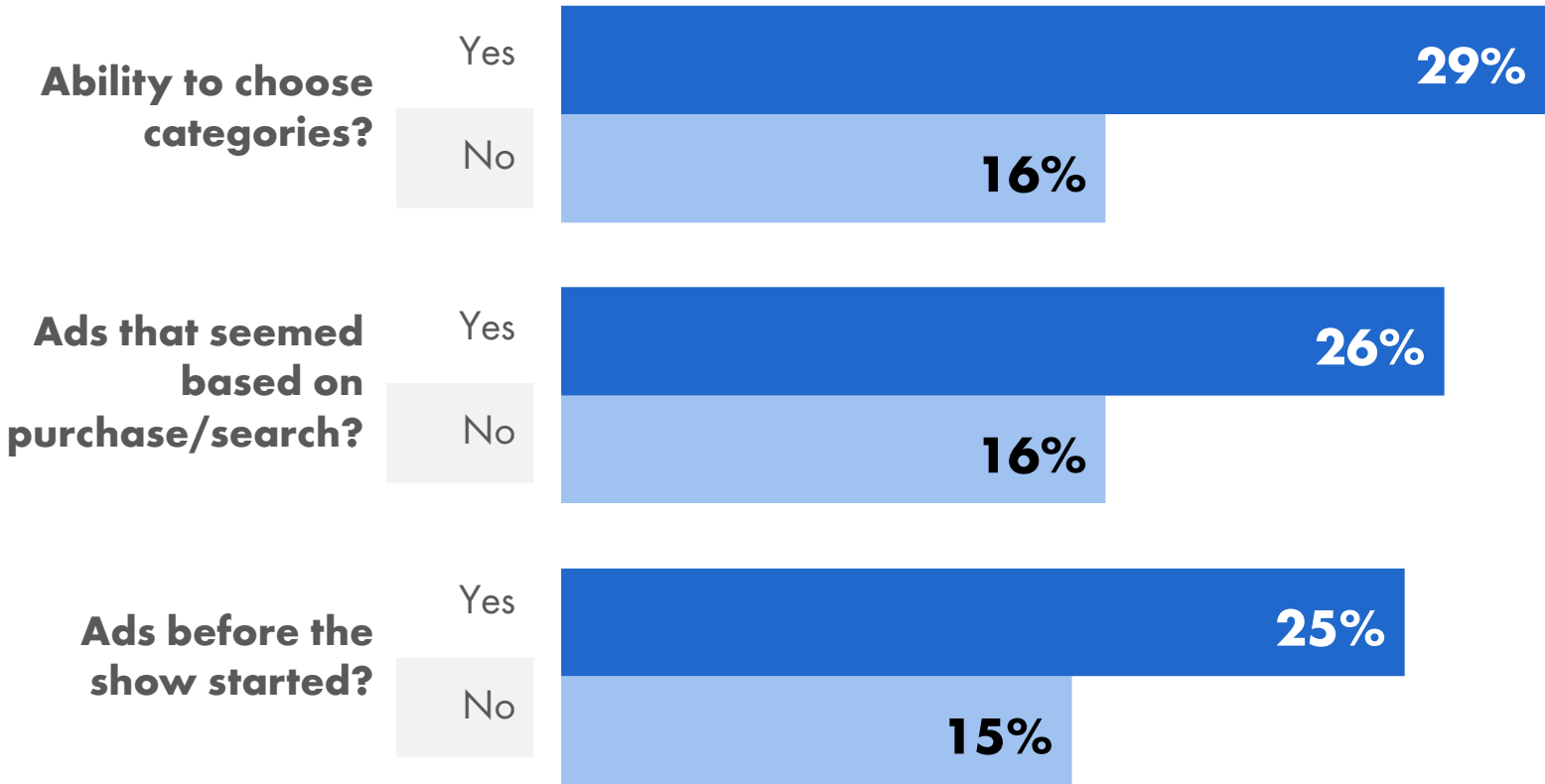
\* Not asked if show was watched live

Although few reported some level of ad customization, those who did were the most likely to remember brands they saw

CAN YOU NAME ANY BRANDS FEATURED DURING COMMERCIALS?  
BY AD DELIVERY APPROACH

Did Show Include...

% Who Could Name Any Brand

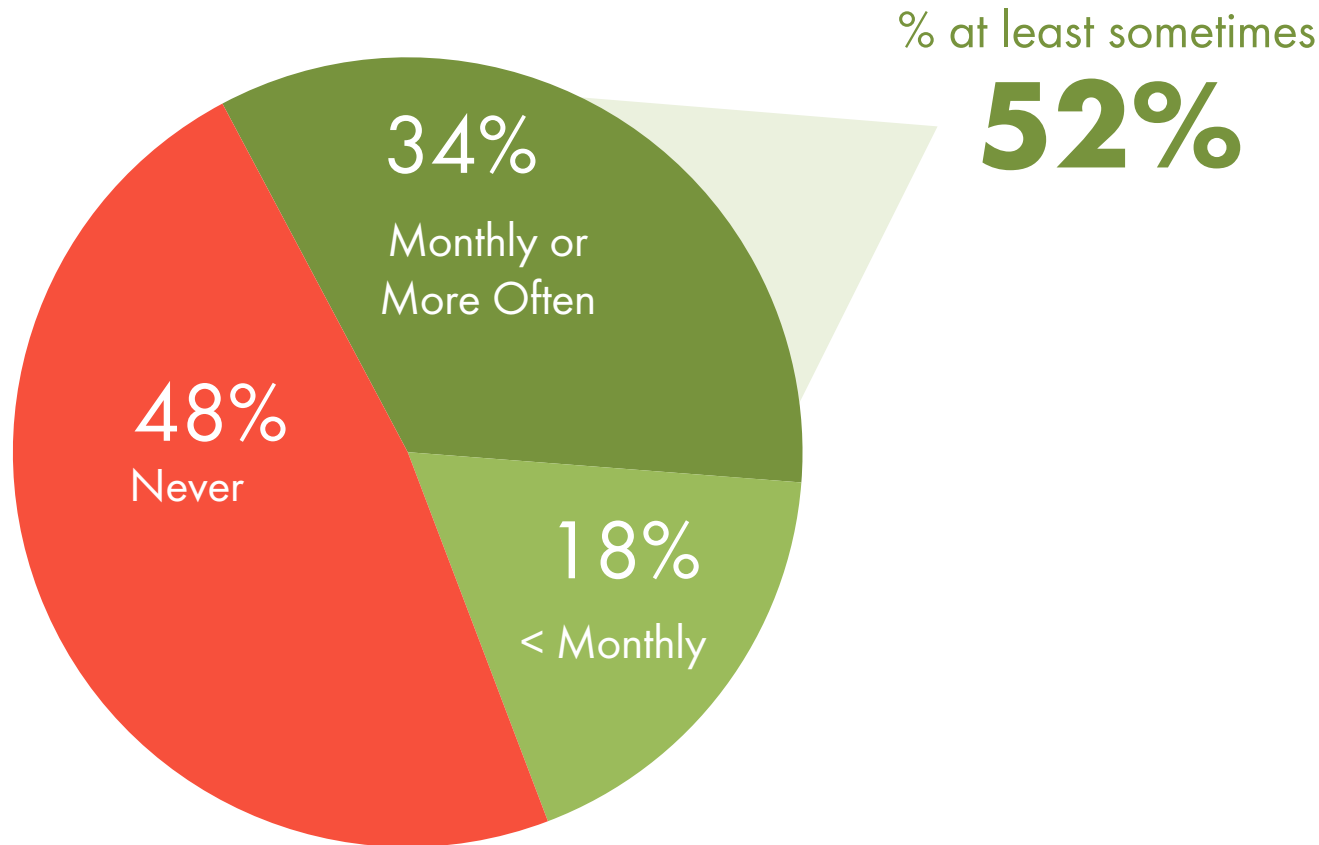




**Use of Transaction Services for TV**

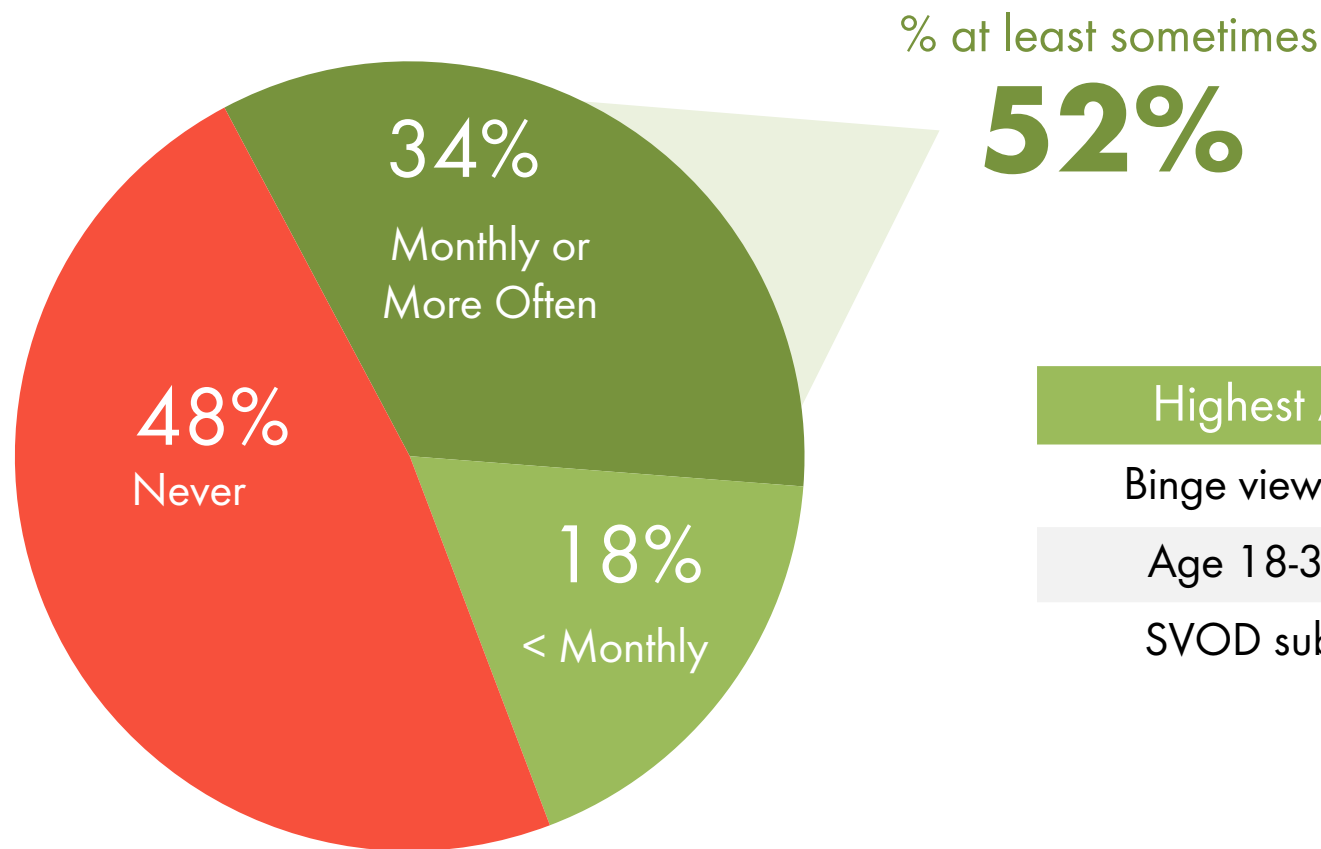
About a third pay for individual shows or movies at least once a month; almost half say they never do

HOW OFTEN TO YOU PAY FOR ANY ONLINE TV SHOWS AND MOVIES?



# Binge viewers, young people and SVOD subscribers are more likely to pay for individual shows and movies

HOW OFTEN TO YOU PAY FOR ANY ONLINE TV SHOWS AND MOVIES?



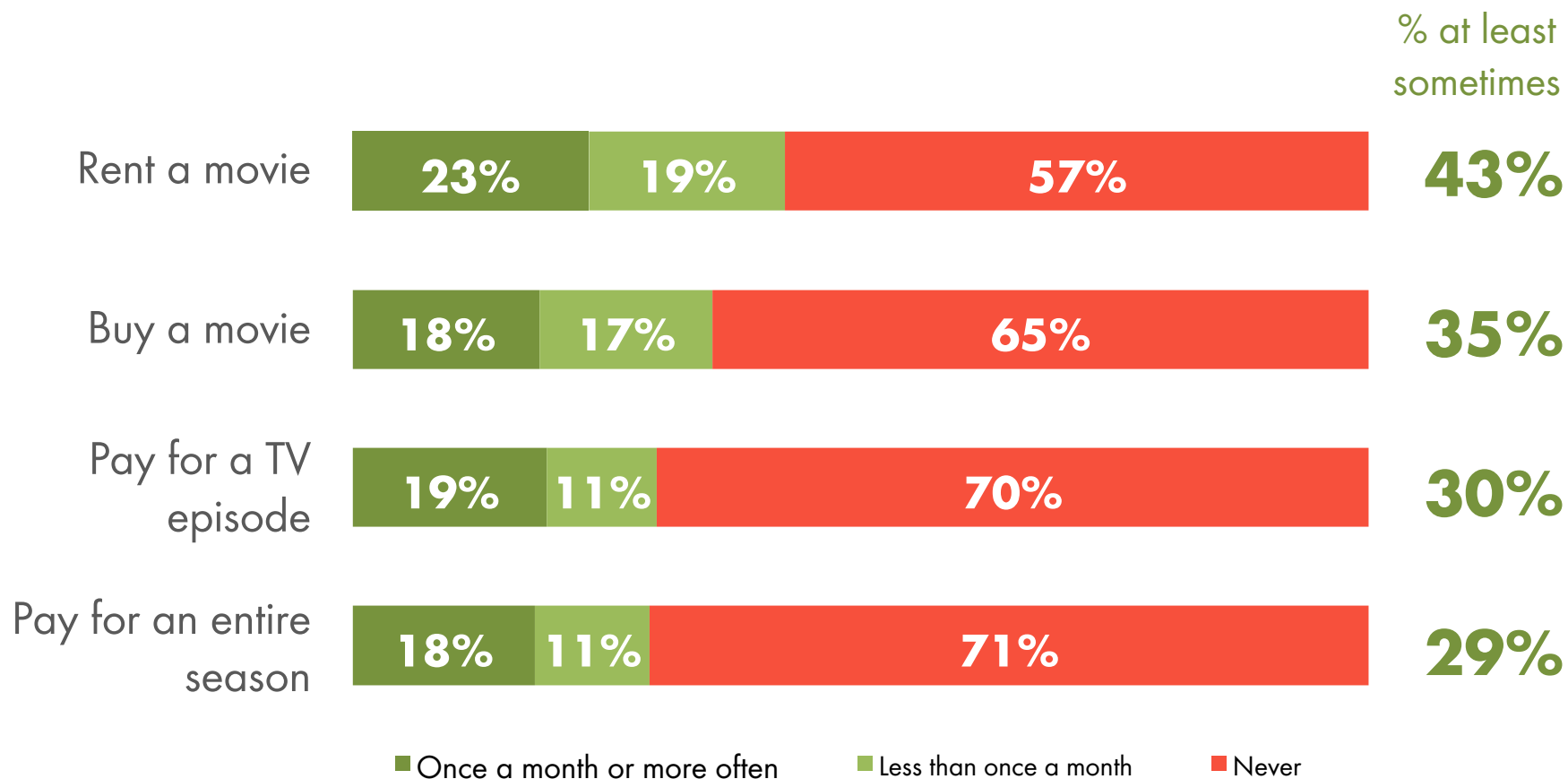
## Highest Among...

Binge viewers	65%
Age 18-34	63%
SVOD subs	61%



# Renting a movie online is the most common content transaction, followed by purchasing a movie

## HOW OFTEN DO YOU PAY FOR INDIVIDUAL SHOWS OR MOVIES?



# Young consumers are 2 to 3 times more likely than older consumer to rent or purchase any TV or movie content

HOW OFTEN DO YOU DO EACH OF THE FOLLOWING?  
% WHO SAY AT LEAST ONCE A MONTH

**Age 18-34**

**Age 35+**

**33%** ↑

Rent a movie

**16%**

**32%** ↑

Pay for episode of  
TV show

**10%**

**29%** ↑

Buy a movie

**11%**

**26%** ↑

Pay for a season  
of a TV show

**11%**

↑ Greater than other group

# Men are also much more likely than women to rent or purchase, especially for TV shows

HOW OFTEN DO YOU DO EACH OF THE FOLLOWING?

*% Monthly or more often*

**Men**

**Women**

**27%** ↑

Rent a movie

**19%**

**26%** ↑

Pay for episode of  
TV show

**12%**

**23%** ↑

Buy a movie

**13%**

**24%** ↑

Pay for a season  
of a TV show

**11%**

↑ Greater than other group

# Consumers who never binge view also almost never pay for individual TV shows, movies, or seasons

HOW OFTEN DO YOU DO EACH OF THE FOLLOWING?  
*% Monthly or more often*

**Binge >1/Month**

**Never Binge**

**32%** ↑

Rent a movie

**11%**

**28%** ↑

Pay for episode of  
TV show

**9%**

**26%** ↑

Buy a movie

**7%**

**26%** ↑

Pay for a season  
of a TV show

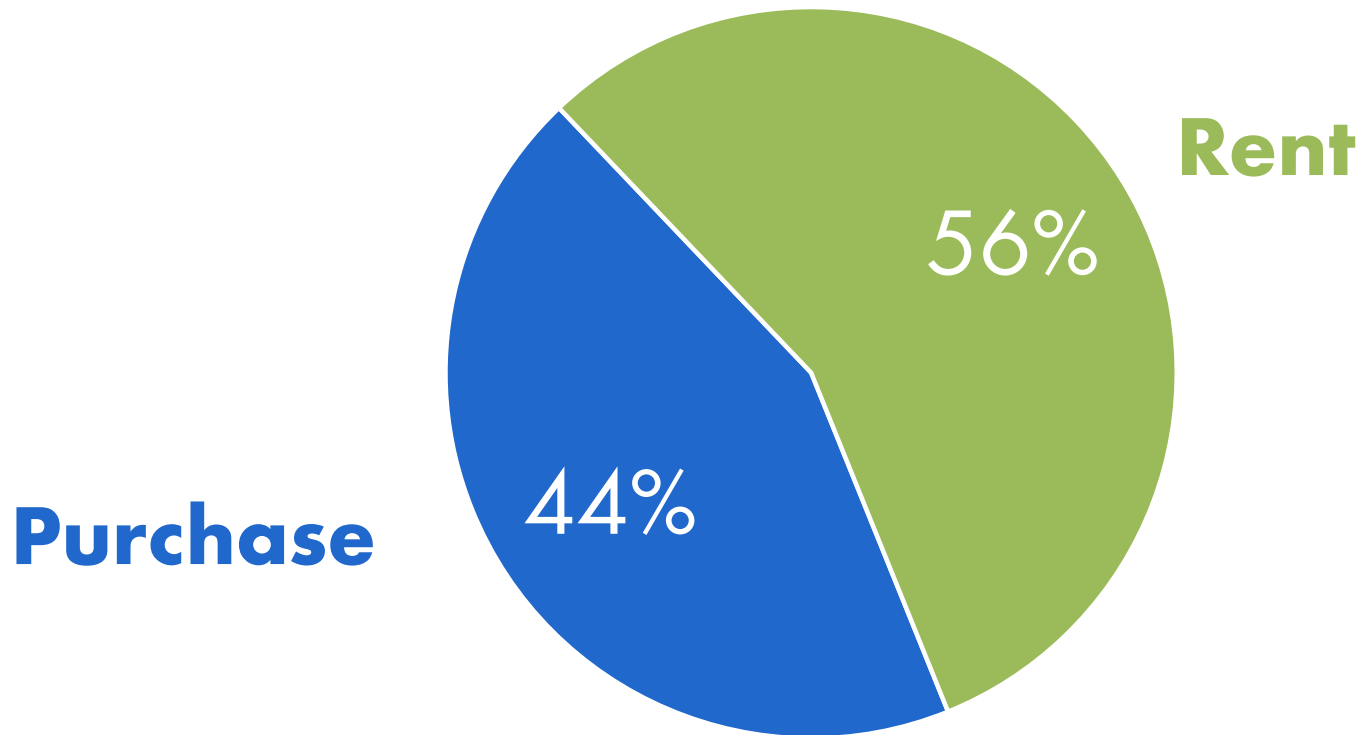
**6%**

↑ Greater than other group

# Those who at least sometimes pay for movies online say they rent a bit more frequently than buy

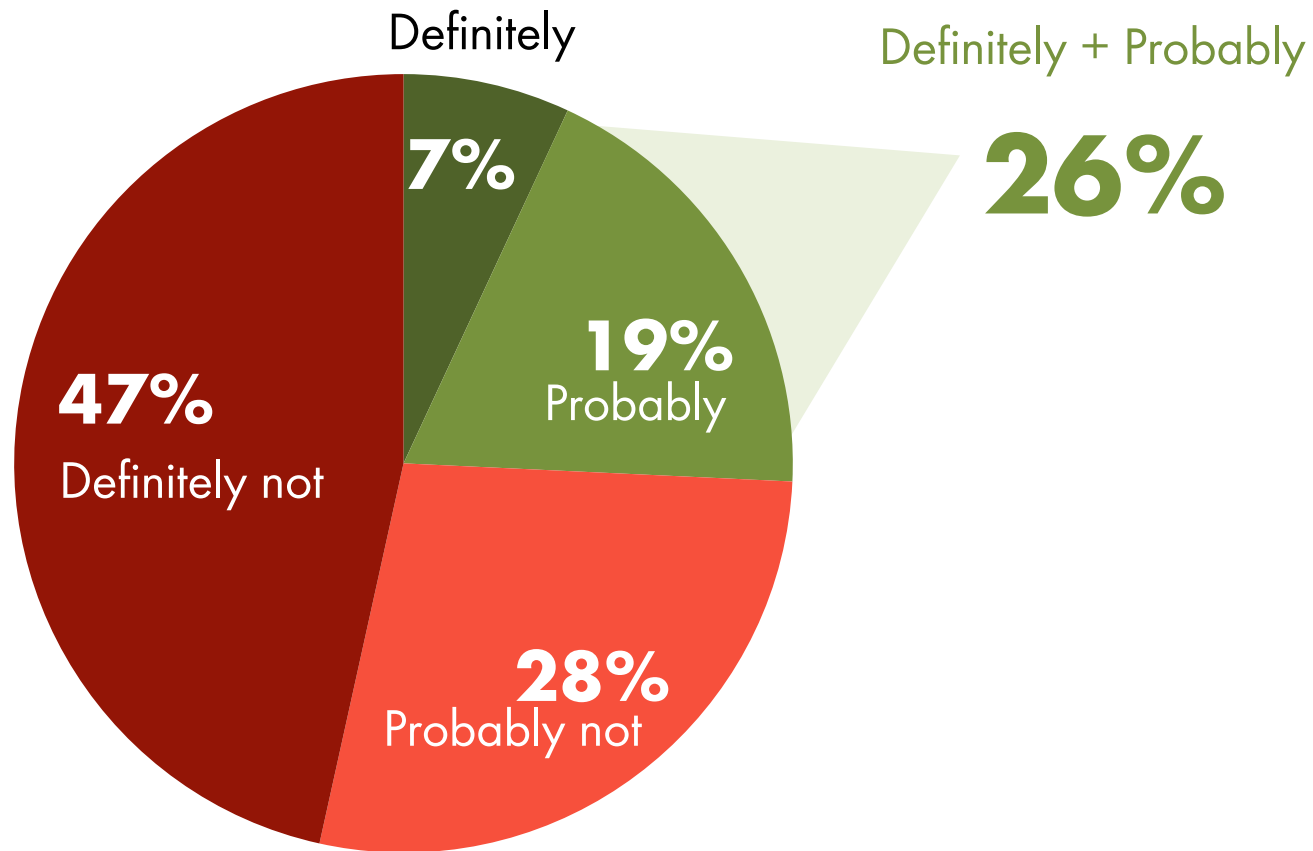
WHAT PERCENT OF THE TIME DO YOU RENT VS. BUY MOVIES ONLINE?

AMONG THOSE WHO STREAM OR PURCHASE MOVIES



# One-fourth of consumers say they'd pay to stream a movie on the same day it opens in theaters, though just 7% say definitely

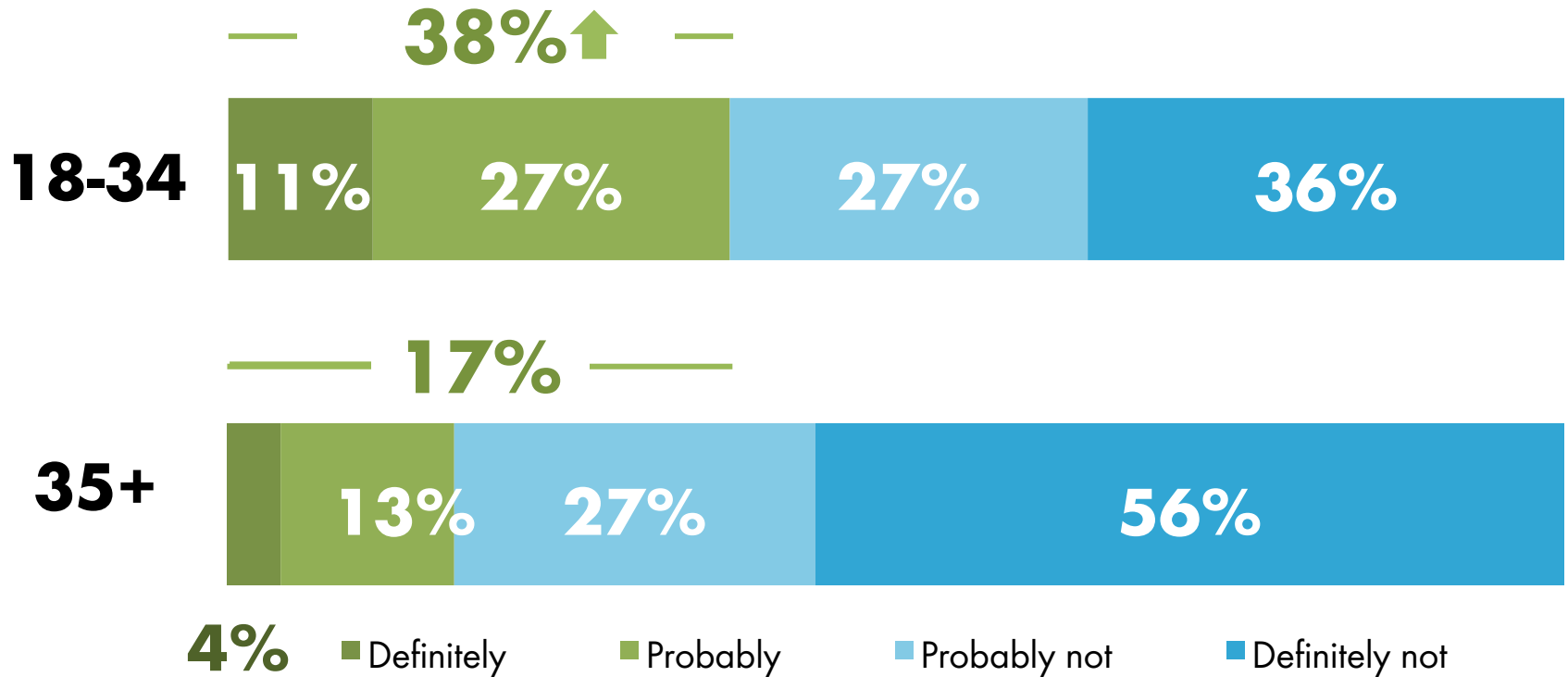
WOULD YOU PAY TO STREAM A MOVIE AT THE SAME TIME IT'S RELEASED IN THEATERS?



# Younger viewers, already more likely to pay for movies, are 2X as likely to pay to stream a movie on day of theater release

WOULD YOU PAY TO STREAM A MOVIE THAT IS BEING RELEASED IN THEATERS AT THE SAME TIME?

% **Definitely / Probably**



↑ Greater than total

# Men are also significantly more likely than women to say they'd pay for a movie on the same day it comes out in theaters

WOULD YOU PAY TO STREAM A MOVIE THAT IS BEING RELEASED IN THEATERS AT THE SAME TIME?

% **Definitely / Probably**

— **31%↑** —

**Men**



— **19%** —

**Women**



■ Definitely

■ Probably

■ Probably not

■ Definitely not

↑ Greater than total



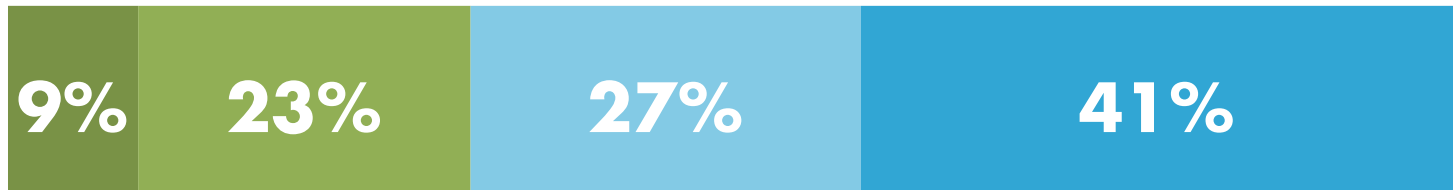
...And SVOD subs are more than 3X more likely to pay for a just-released movie than non-SVOD subscribers

WOULD YOU PAY TO STREAM A MOVIE THAT IS BEING RELEASED IN THEATERS AT THE SAME TIME?

% **Definitely / Probably**

— **32%↑** —

**SVOD  
subs**



— **9%** —

**No  
SVOD**



**2%**

■ Definitely

■ Probably

■ Probably not

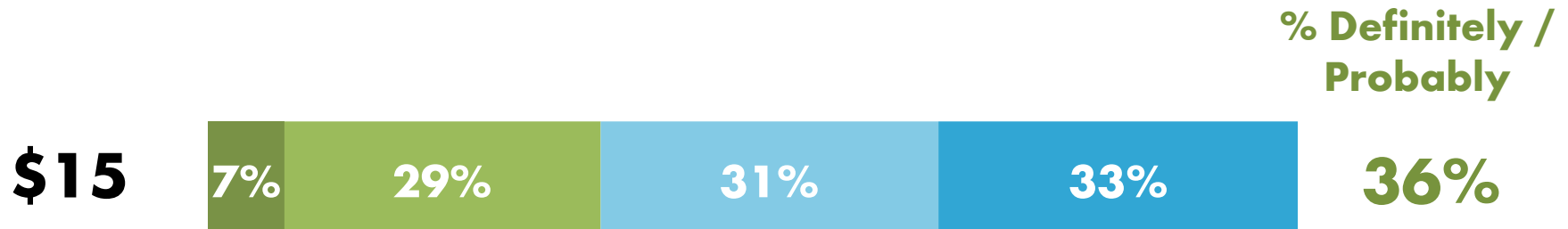
■ Definitely not



Greater than total

# At \$15 per movie, more than one-third of consumers say they'd at least probably pay to stream a movie just out in theaters

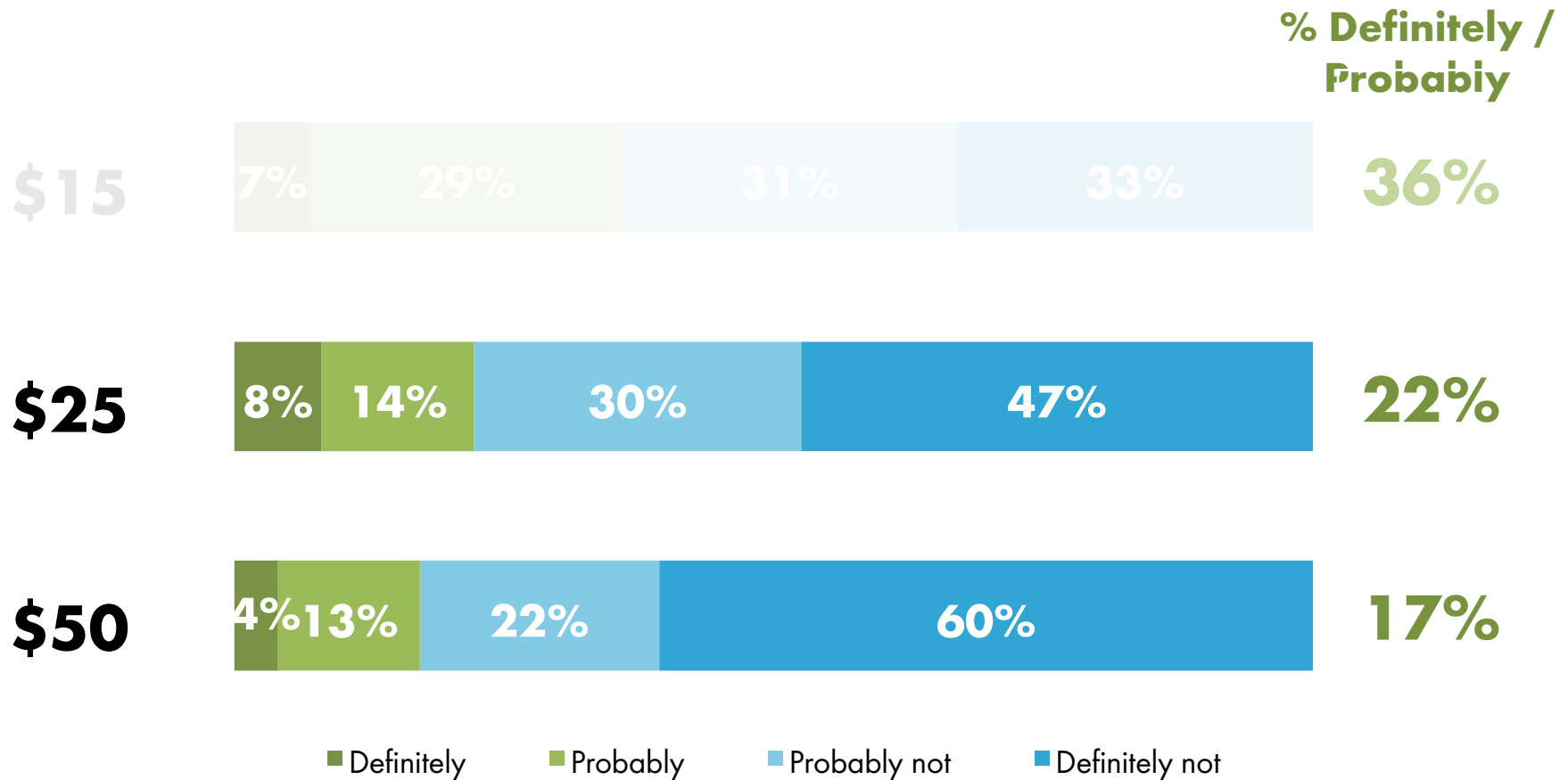
## HOW LIKELY WOULD YOU BE TO PAY TO STREAM A JUST-RELEASED MOVIE? BY PRICE POINT



■ Definitely    ■ Probably    ■ Probably not    ■ Definitely not

# Interest drops rapidly above \$15; at \$50 per film, fewer than 1 in 5 would consider buying, and only 4% say definitely

HOW LIKELY WOULD YOU BE TO PAY TO STREAM A JUST-RELEASED MOVIE?  
BY PRICE POINT



At every price point, 18-34 year-olds are much more likely than older viewers to pay for a movie at its cinema release

HOW LIKELY WOULD YOU BE TO PAY TO STREAM A JUST-RELEASED MOVIE?  
BY PRICE POINT

**Age 18-34**

% DEFINITELY /  
PROBABLY at...

**Age 35+**

**51%** ↑

**\$15**

**27%**

**38%** ↑

**\$25**

**13%**

**25%** ↑

**\$50**

**10%**

↑ Greater than total

# Men are also more likely than women to consider paying, also at every price point

## HOW LIKELY WOULD YOU BE TO PAY TO STREAM A JUST-RELEASED MOVIE? BY PRICE POINT

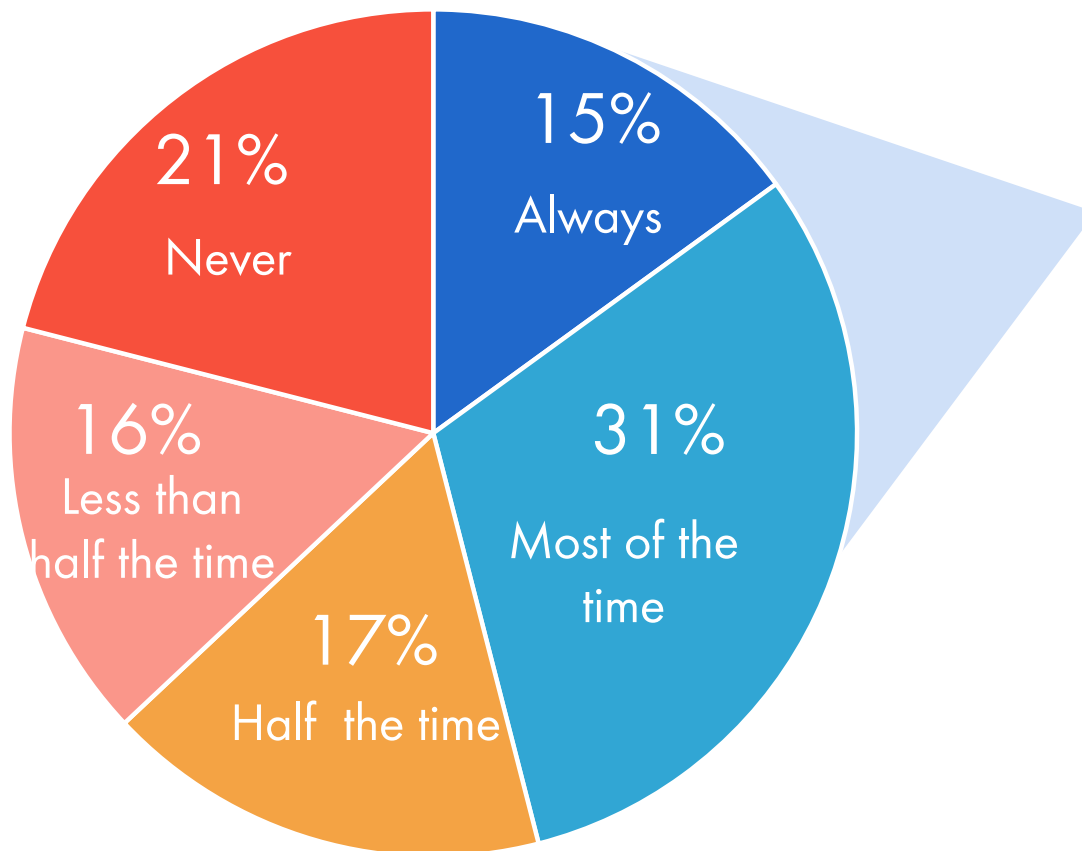
Men	% DEFINITELY / PROBABLY	Women
40% ↑	\$15	31%
28% ↑	\$25	17%
25% ↑	\$50	11%

↑ Greater than total

# Among those who at least sometimes buy or rent content, almost half pay extra for HD versions, most or every time

HOW OFTEN DO YOU PAY EXTRA FOR HD WHEN YOU HAVE THE OPTION?

AMONG VIEWERS WHO PAY FOR ANY TV SHOWS OR MOVIES



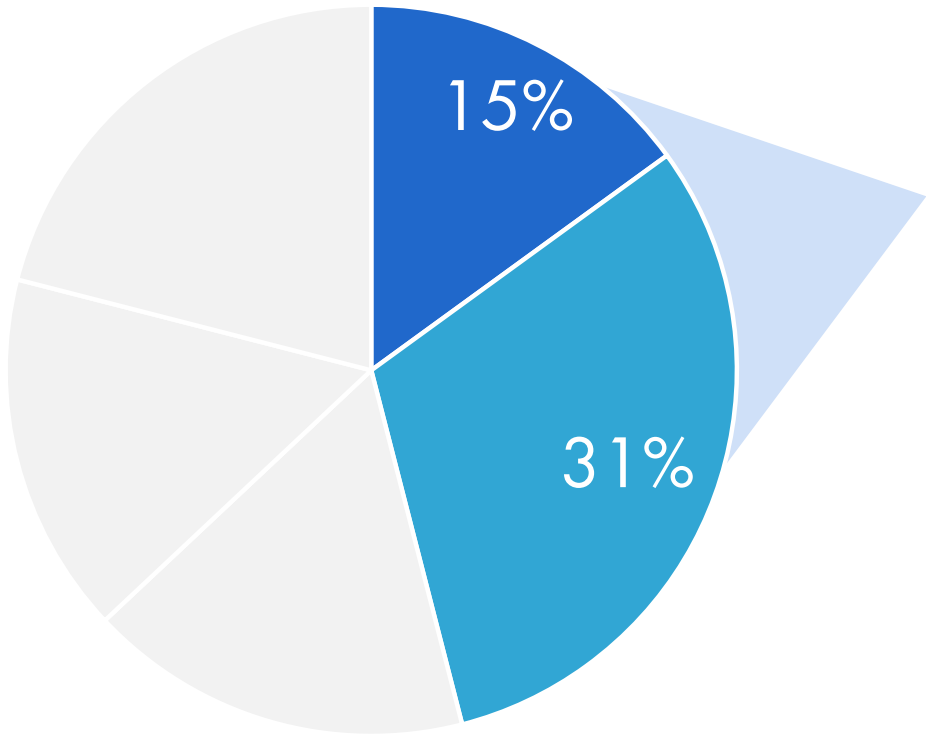
**46%**

Pay for HD all or most of the time

# Binge viewers and young consumers are the most likely to regularly pay extra for HD quality

HOW OFTEN DO YOU PAY EXTRA FOR HD?

AMONG VIEWERS WHO PAY FOR ANY TV SHOWS OR MOVIES



Always      Most of the time

## 46%

Pay for HD all or most of the time

Highest Among...

Binge >1/month	58%
Age 18-34	54%



**NEW APPROACHES**



# Which characteristics have the greatest likelihood to drive viewers to pay more attention to ads?

- We used a technique called *Maximum Difference Scaling* to quantify how much influence specific characteristics have on how much a viewer pays attention to advertisements.
- **How it works:** we tested a total of 18 attributes. Respondents saw 5 attributes at a time, along with this question:

TV networks and advertisers are interested in creating and delivering ads that viewers like you will pay attention to. On each of the following screens, you'll see a list of possible characteristics of TV commercials, or of the way the ads are incorporated into the show you're watching.

Please select **two characteristics** from each group:

The one that would make you **MOST LIKELY** to pay attention to an ad while it's on

The one that would make you **LEAST LIKELY** to pay attention to an ad

## We tested 18 attributes:

- 1. Recognizable stars** The commercial features stars or personalities that you know
- 2. Information** The commercial offers detailed information about the product, such as its features and price
- 3. Relevant** The commercial is about a product you're currently in the market for
- 4. Brand** The commercial is from a company you trust
- 5. Link-to-shop** You can click on the ad to directly buy the product online
- 6. Research capability** You can click on the ad to visit a website and get more information about the product in the ad

## We tested 18 attributes:

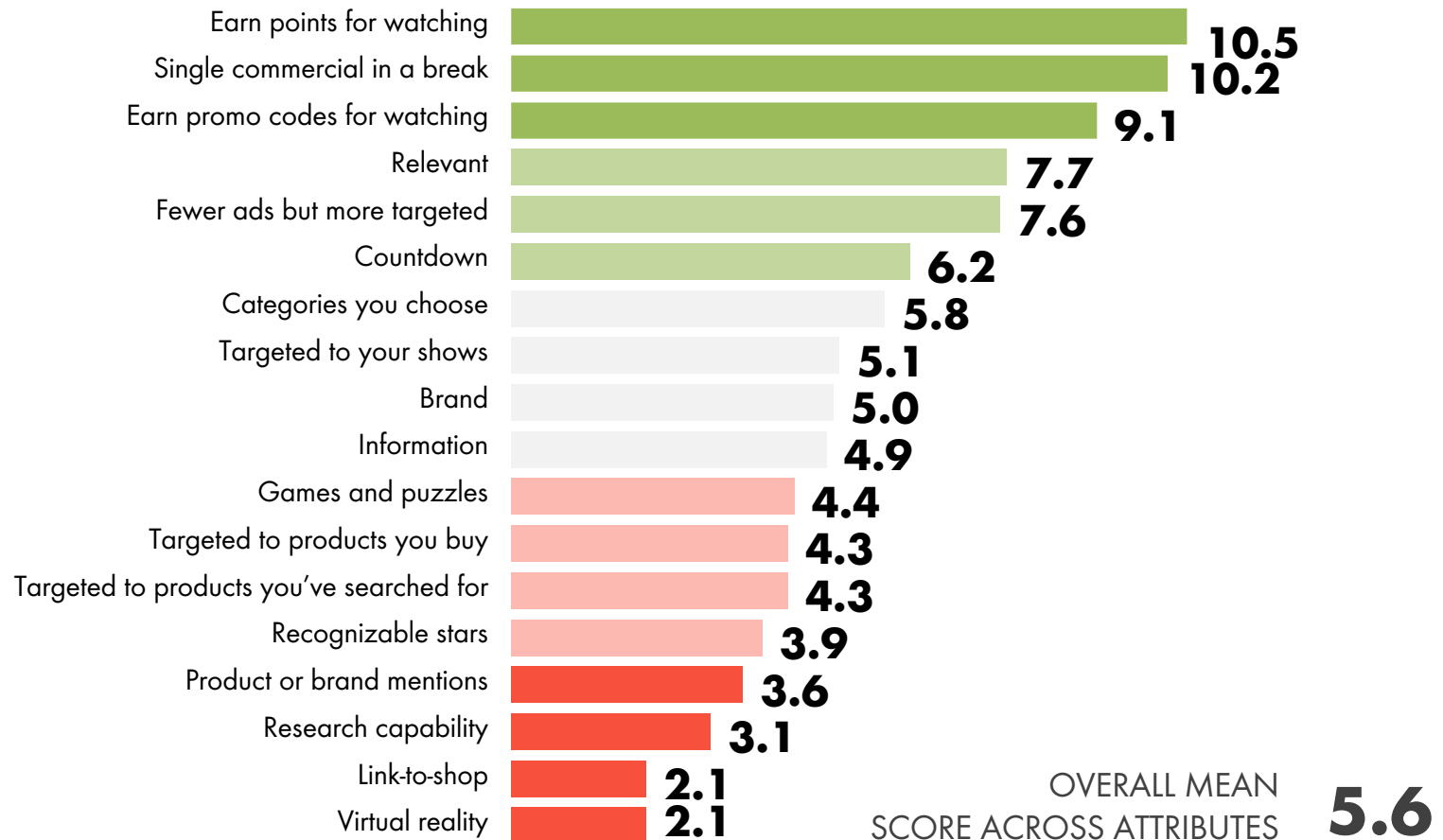
- 7. Targeted to products you buy**      Commercials are specifically targeted to you based on products you've purchased online recently
- 8. Targeted to products you've searched for**      Commercials are specifically targeted to you based on products you've searched online for recently
- 9. Targeted to your shows**      The commercials that appear are chosen to match the types of shows you've watched recently (e.g. home renovation, travel, cooking, etc.)
- 10. Categories you choose**      Before the show starts, you can choose to see ads from particular brands or about particular product categories, instead of others
- 11. Countdown**      There's a countdown clock during ads to let you know how much longer before your show resumes
- 12. Product or brand mentions**      Products or brands are included as part of the show's story—for example a character who drives a Toyota, or a scene where people are drinking Coca Cola, or they mention a particular product or brand by name

## We tested 18 attributes:

- 13. Single commercial in a break** A commercial that is the only one shown during a commercial break—no others before or after
- 14. Virtual reality** Seeing a commercial in virtual reality if you watch a commercial online while wearing a virtual reality headset
- 15. Earn points for watching** You earn points for each commercial you watch, and you can use the points to get access to TV shows or movies
- 16. Earn promo codes for watching** You get promotional discounts for products featured in ads you watch
- 17. Games and puzzles** Solve an interactive online puzzle related to the brand while its ad is on, to advance the ad more quickly
- 18. Fewer ads but more targeted** Commercials in a show that has fewer ads than usual for live TV, but where the ads are more relevant to your interests

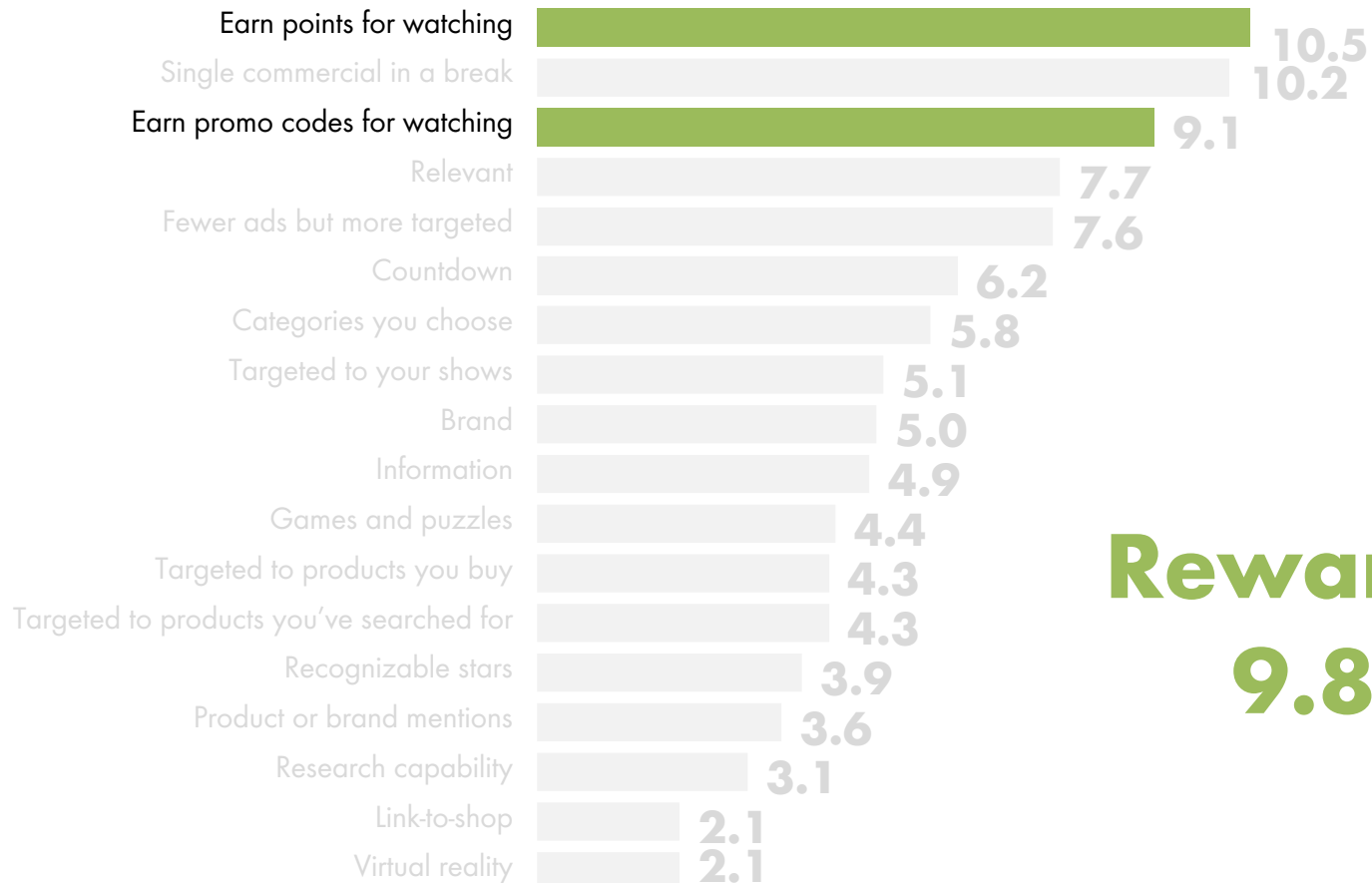
# The rating for each attribute represents its perceived effectiveness in encouraging viewers to pay attention to ads

## WHICH ITEMS WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



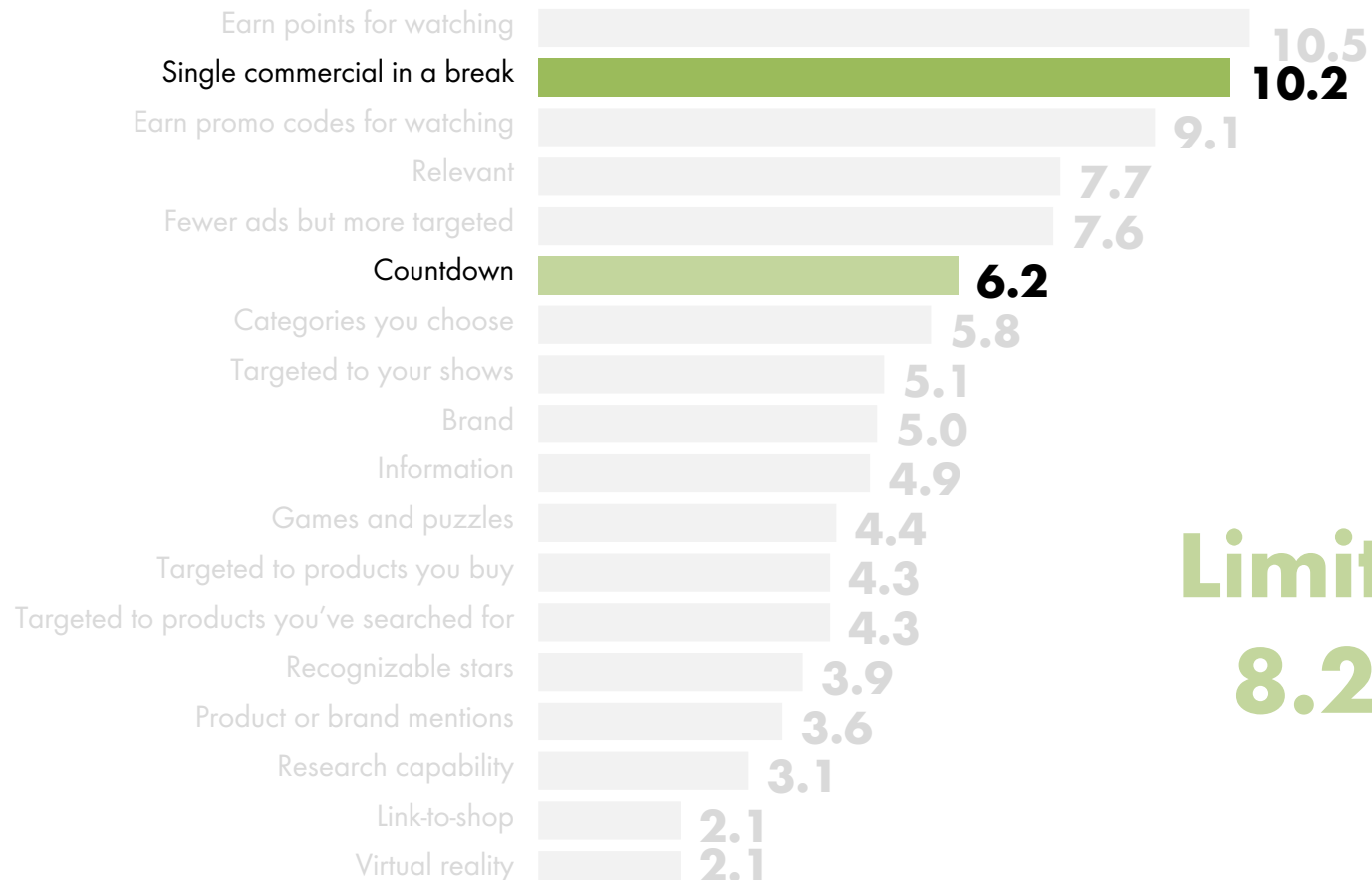
# Two of the most effective ad delivery methods would offer “rewards” for viewing

WHICH OF WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



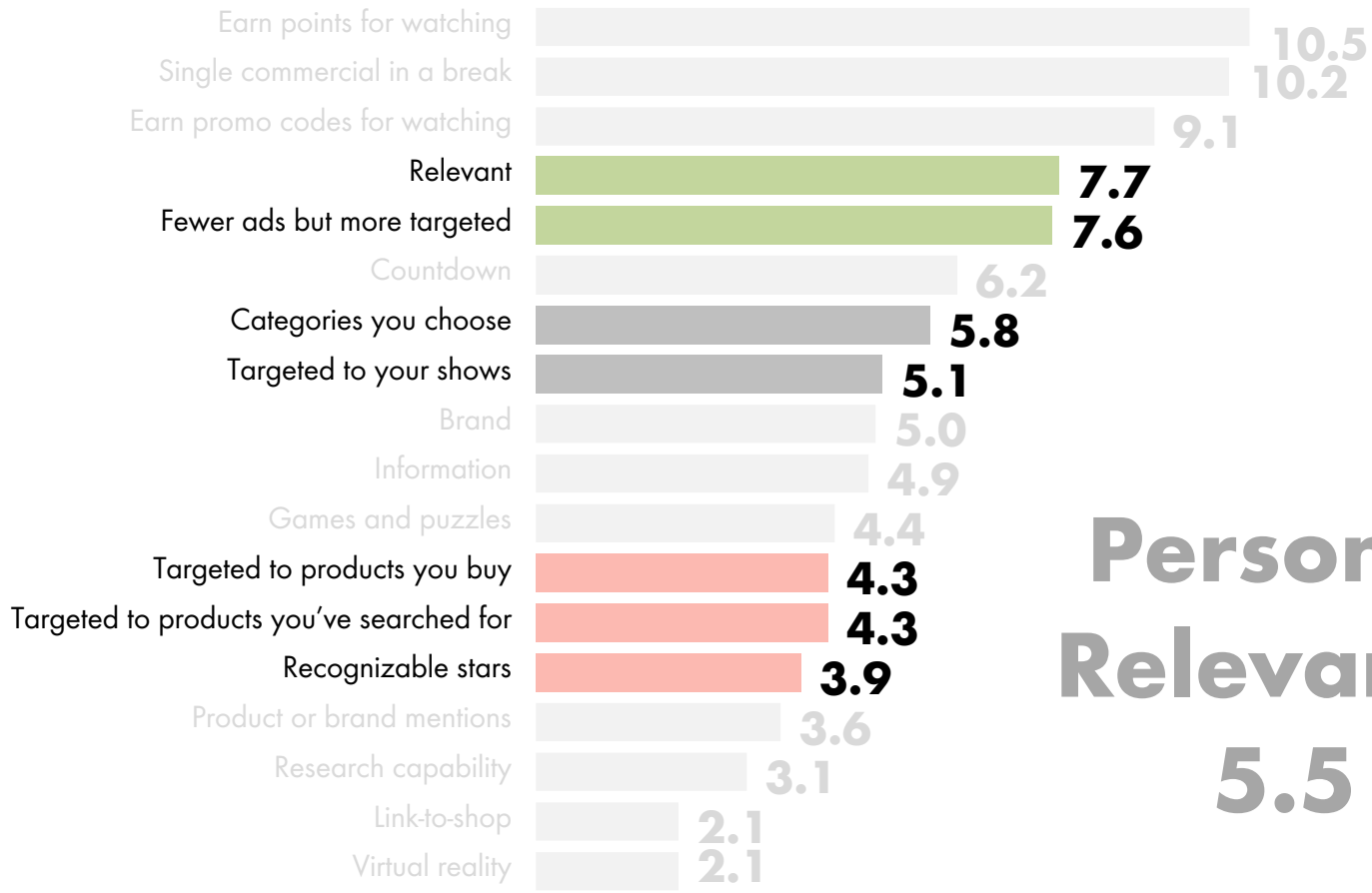
Two methods, also seen as effective, would “limit” ads – one per break, or a countdown clock showing when the break will end

WHICH OF WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



# Next on the list of effective techniques: targeted ads based on, for example, viewers' product preferences or purchasing

## WHICH OF WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?

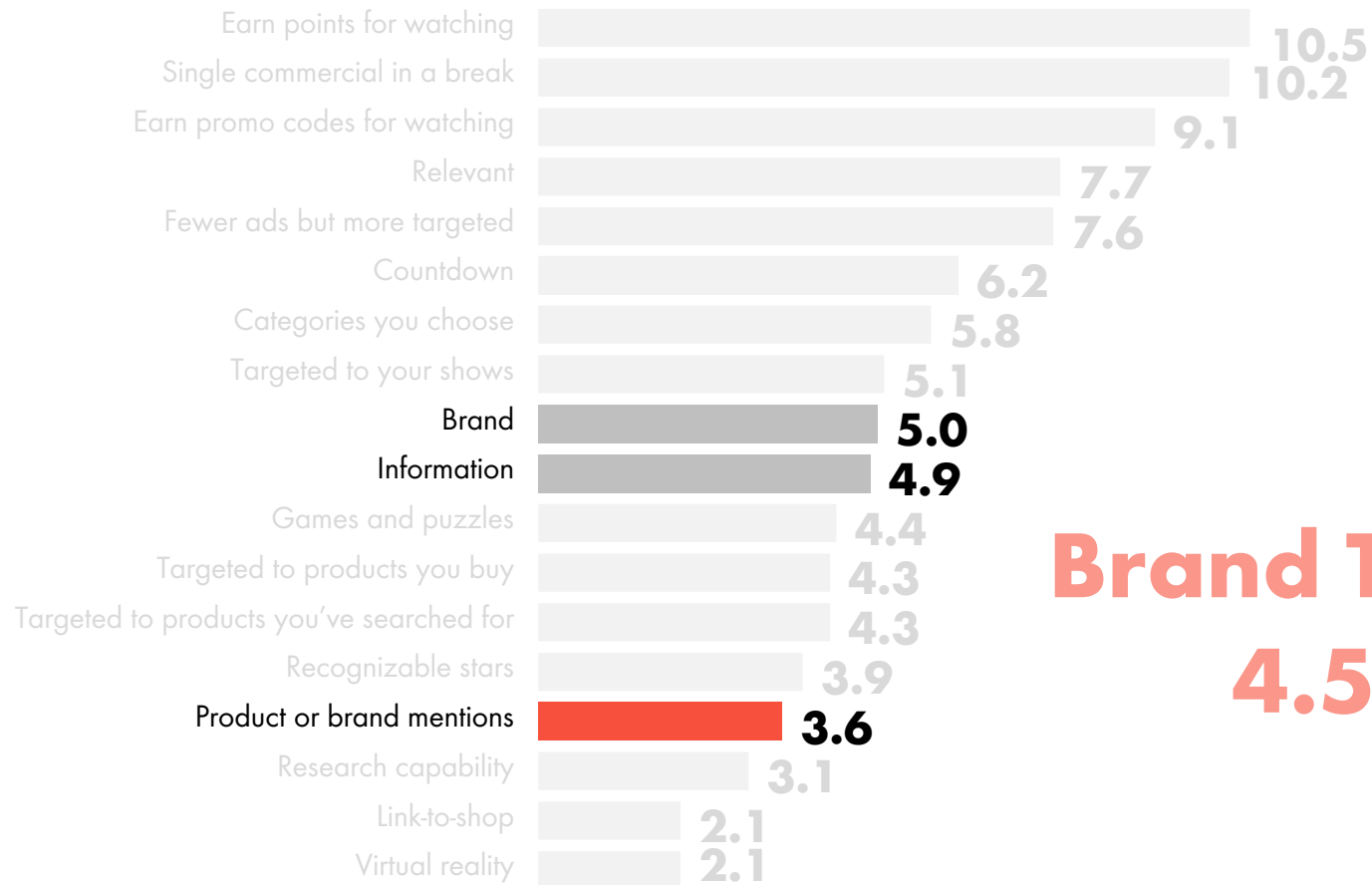


**Personal  
Relevance  
5.5**



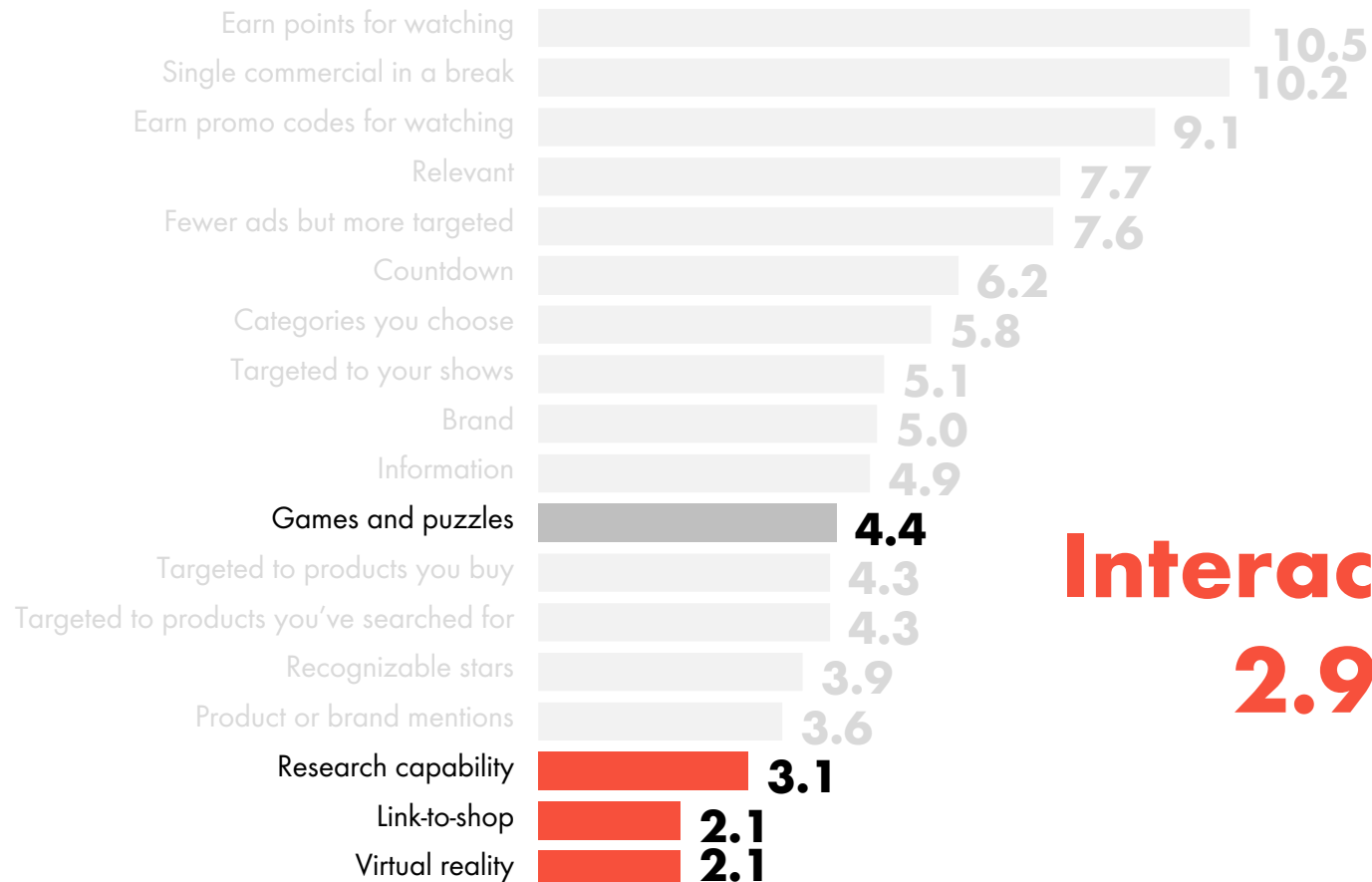
# Three approaches to reinforce “brand trust” ranked lower: brands you already use, detailed product info, or product placement

WHICH OF WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



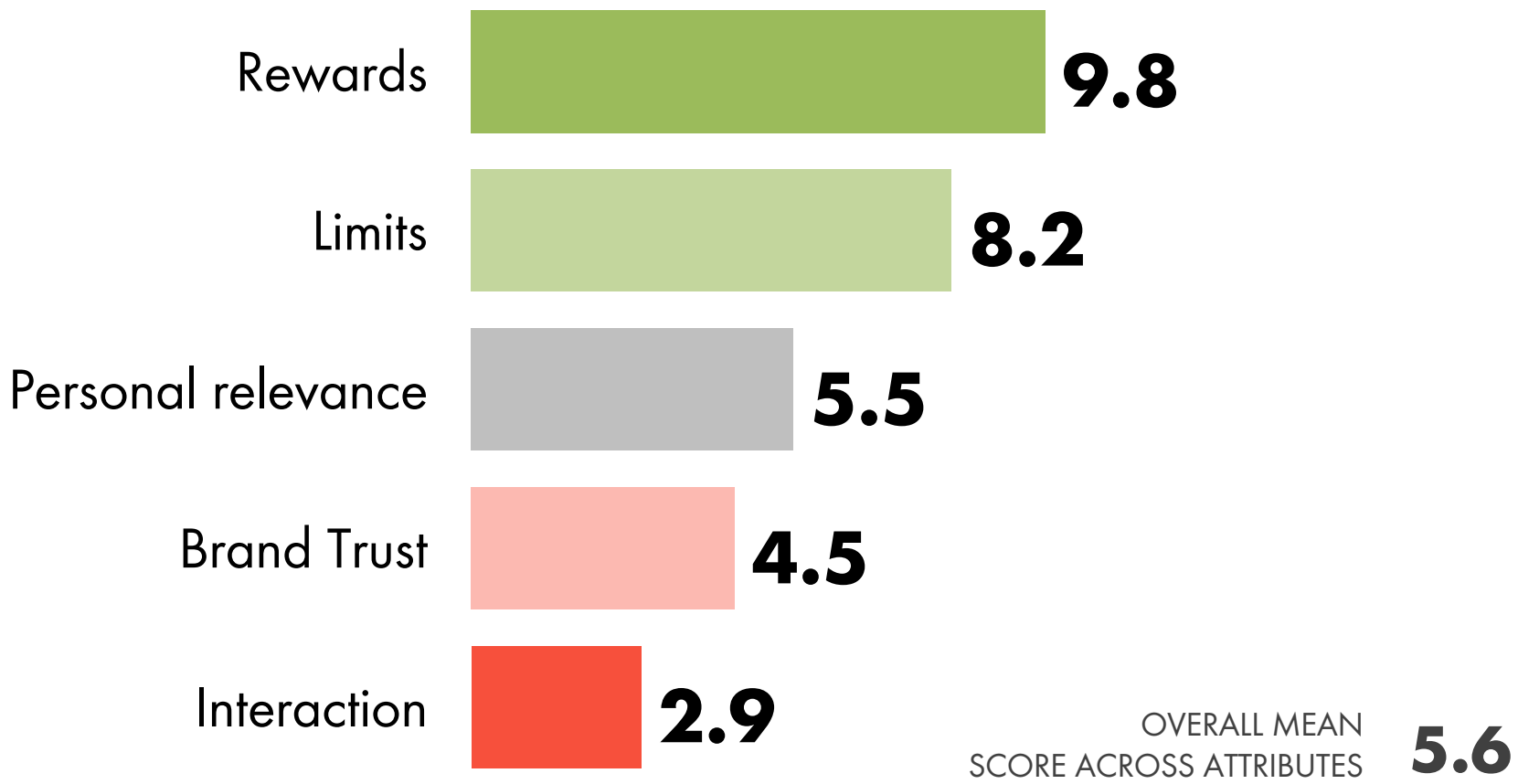
The simple ability to “interact” with ads, without any give-back (as in “rewards”), was seen as least effective

WHICH OF WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



# Averaging the ratings by category, "rewards" and "limits" are the approaches consumers feel would be most effective, by far

WHICH CATEGORY WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?



# Older consumers are especially likely to feel a “rewards” or “limits” based approach would result in greater ad attention

WHICH CATEGORY WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?

**Age 18-34**

**Age 35+**

**9.6**

Rewards

**10.1** ↑

**7.6**

Limits

**8.5** ↑

**3.6** ↑

Interaction

**2.4**

↑ Greater than total

# "Rewards" and "limits" are also more strongly appealing to women as approaches to ad delivery

WHICH CATEGORY WOULD MAKE YOU PAY THE MOST ATTENTION TO AN AD?

**Men**

**8.7**

**7.9**

**4.8** ↑

**3.2** ↑

Rewards

Limits

Brand Trust

Interaction

**Women**

**11.0** ↑

**8.6** ↑

**4.2**

**2.6**

↑ Greater than total

# We asked viewers how they felt about ads targeted based on online purchasing and search behavior

Specifically, we tested reactions by using two different descriptions of wanted to test reactions to ad targeting...

- **General:** Ads are targeted based on “**people’s**” show viewing, purchasing, and product search history
- **Personal:** Ads are targeted based on “**your**” show viewing, purchasing, and product search history

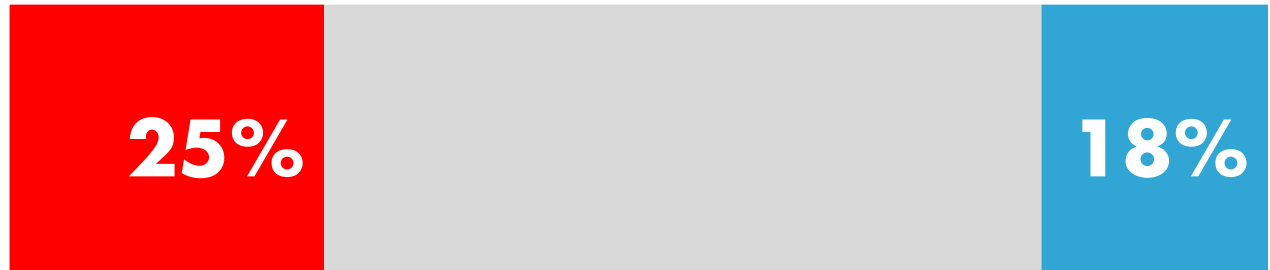
Each respondent saw one of these descriptions in the survey

**Our goal:** Determine if attitudes about targeting differ **in theory** vs. when it’s clear **one’s own** information is being accessed

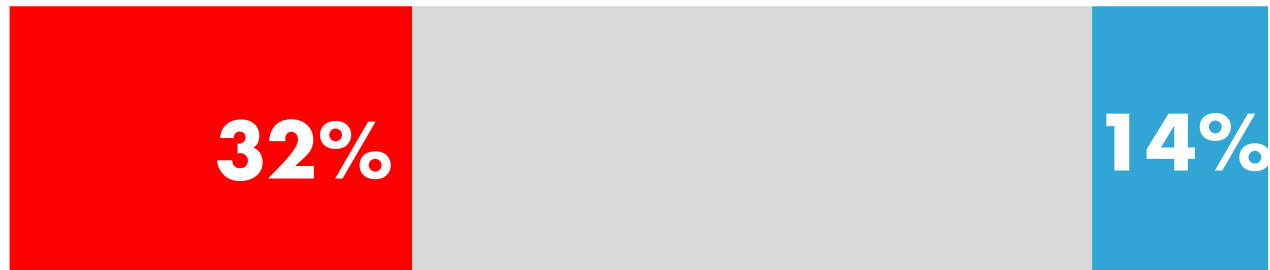
# Consumers react more negatively to targeting based on personal information when it's tied to themselves explicitly

HOW DO YOU FEEL ABOUT ADS TARGETED TO PAST ONLINE BEHAVIOR?

Targeted to **people's** online behavior



Targeted to **your** online behavior



Bottom 3: Negative feeling

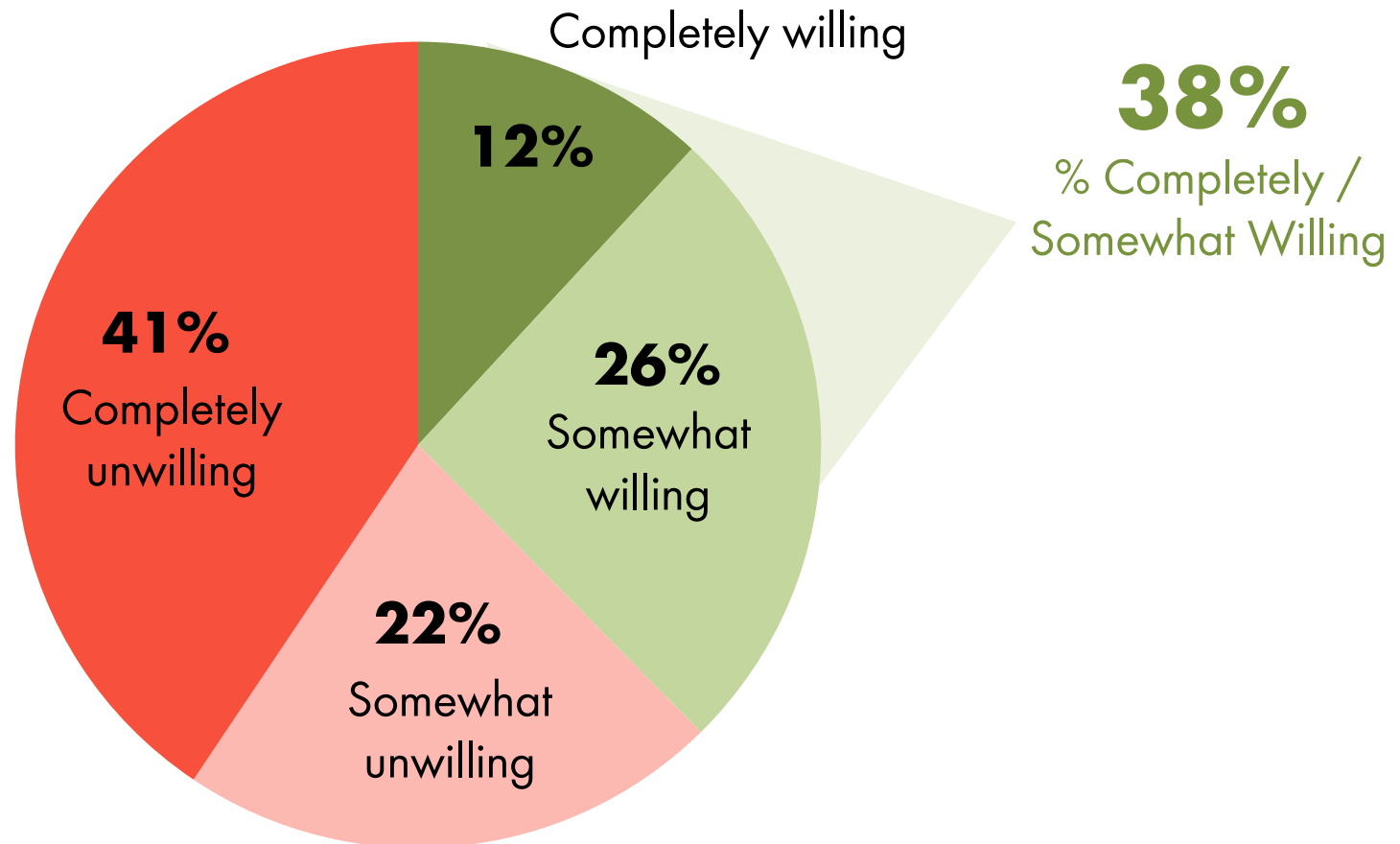


Top 3: Positive feeling



# About 4 in 10 consumers are at least somewhat willing to have advertisers collect personal information to deliver relevant ads

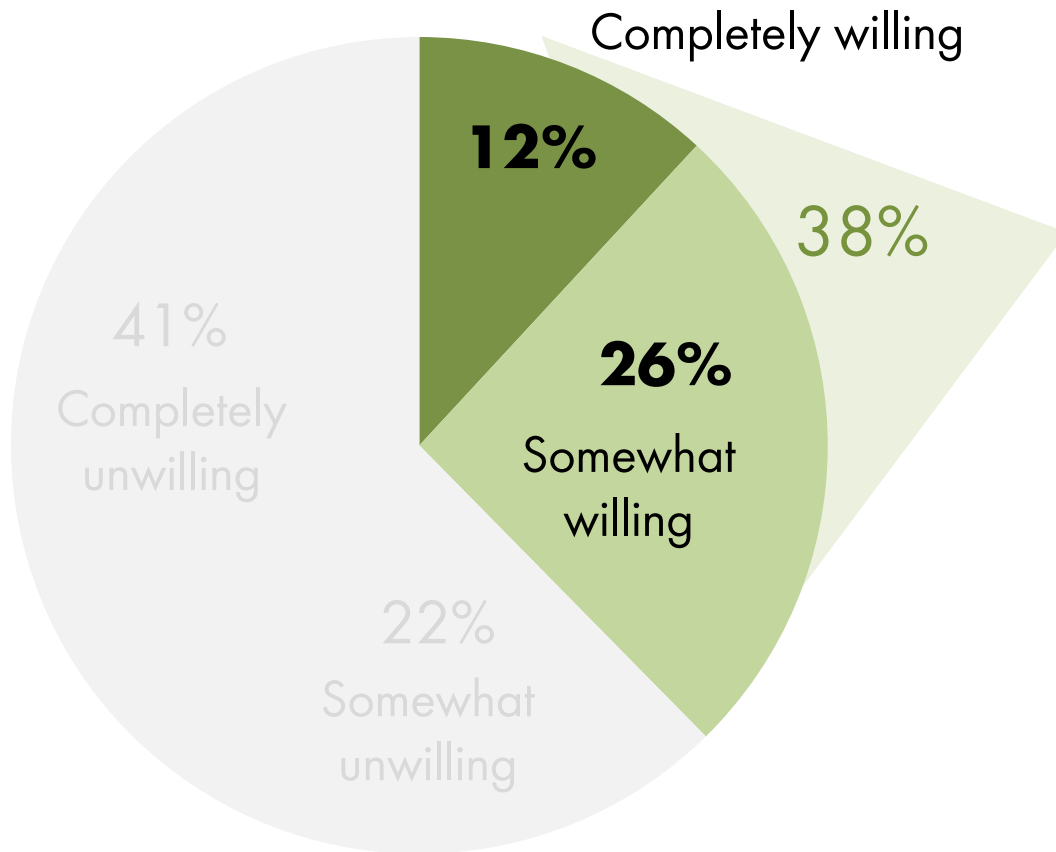
ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT INFORMATION ABOUT YOU?





# Young consumers and men are more willing to allow advertisers to collect their personal info

ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT INFORMATION ABOUT YOU?



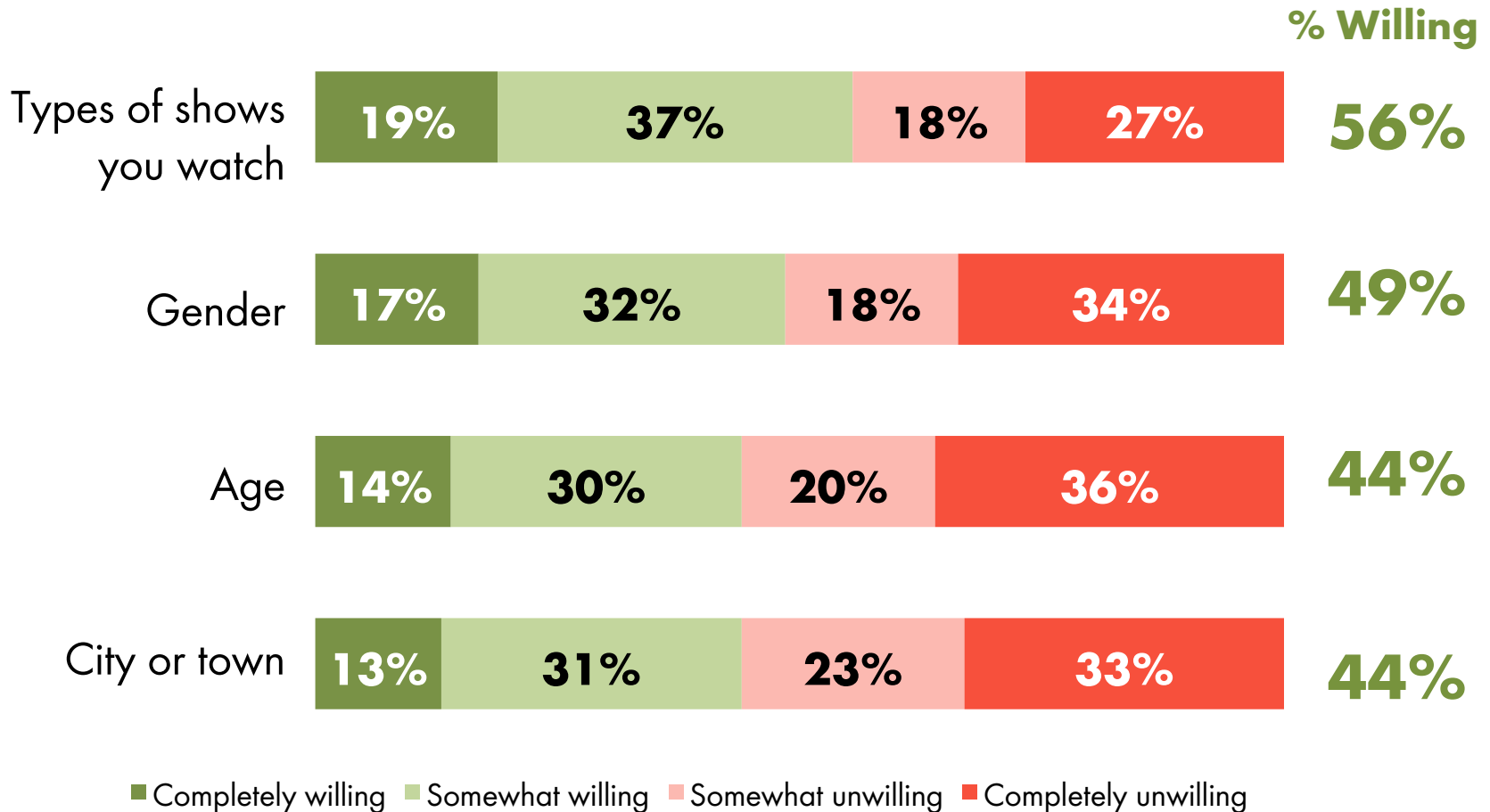
**"Willing" Highest  
Among...**

Age 18-34 47%

Men 42%

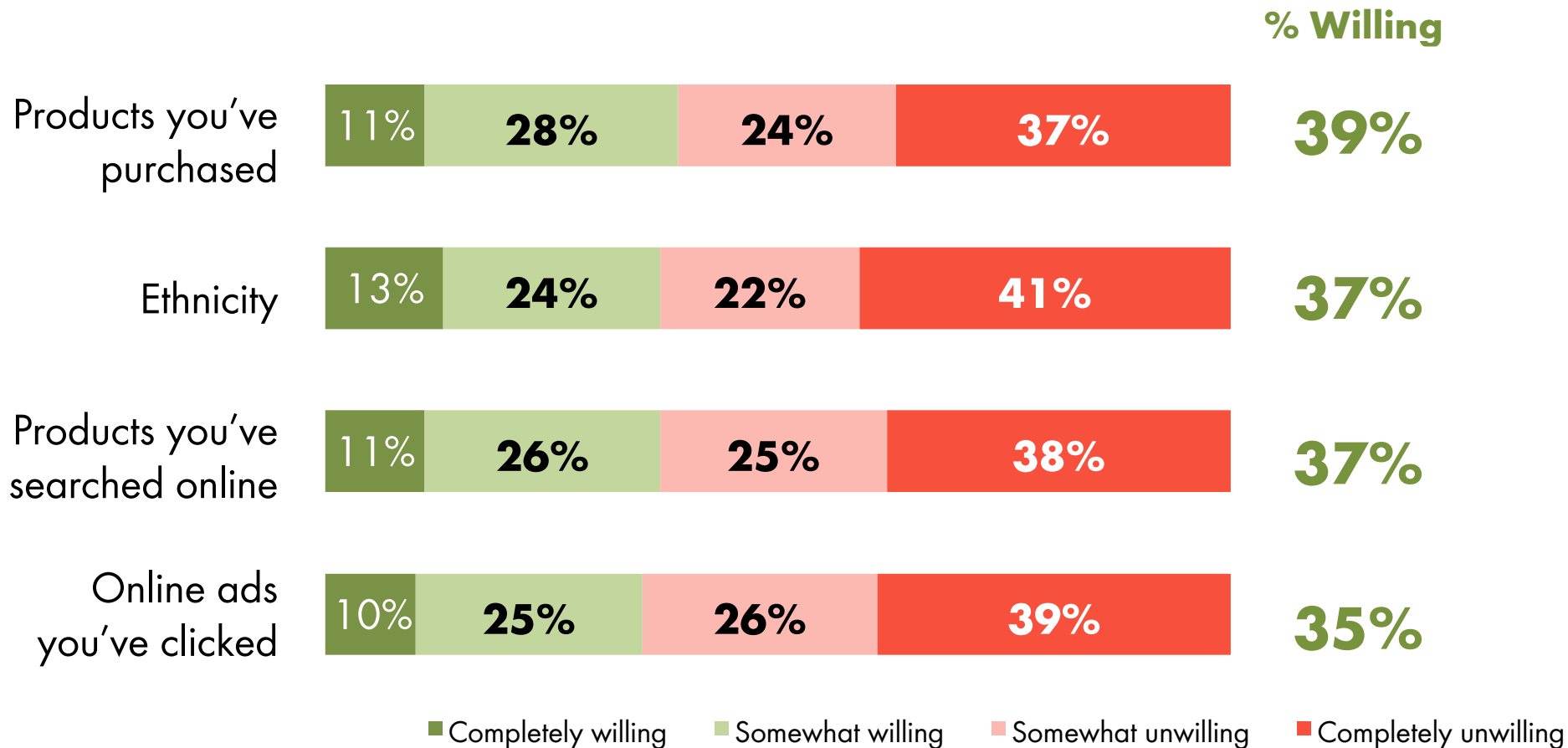
# When it comes to types of personal info, consumers are most likely to allow advertisers to track shows watched and demos

WHAT TYPES OF INFORMATION ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT?



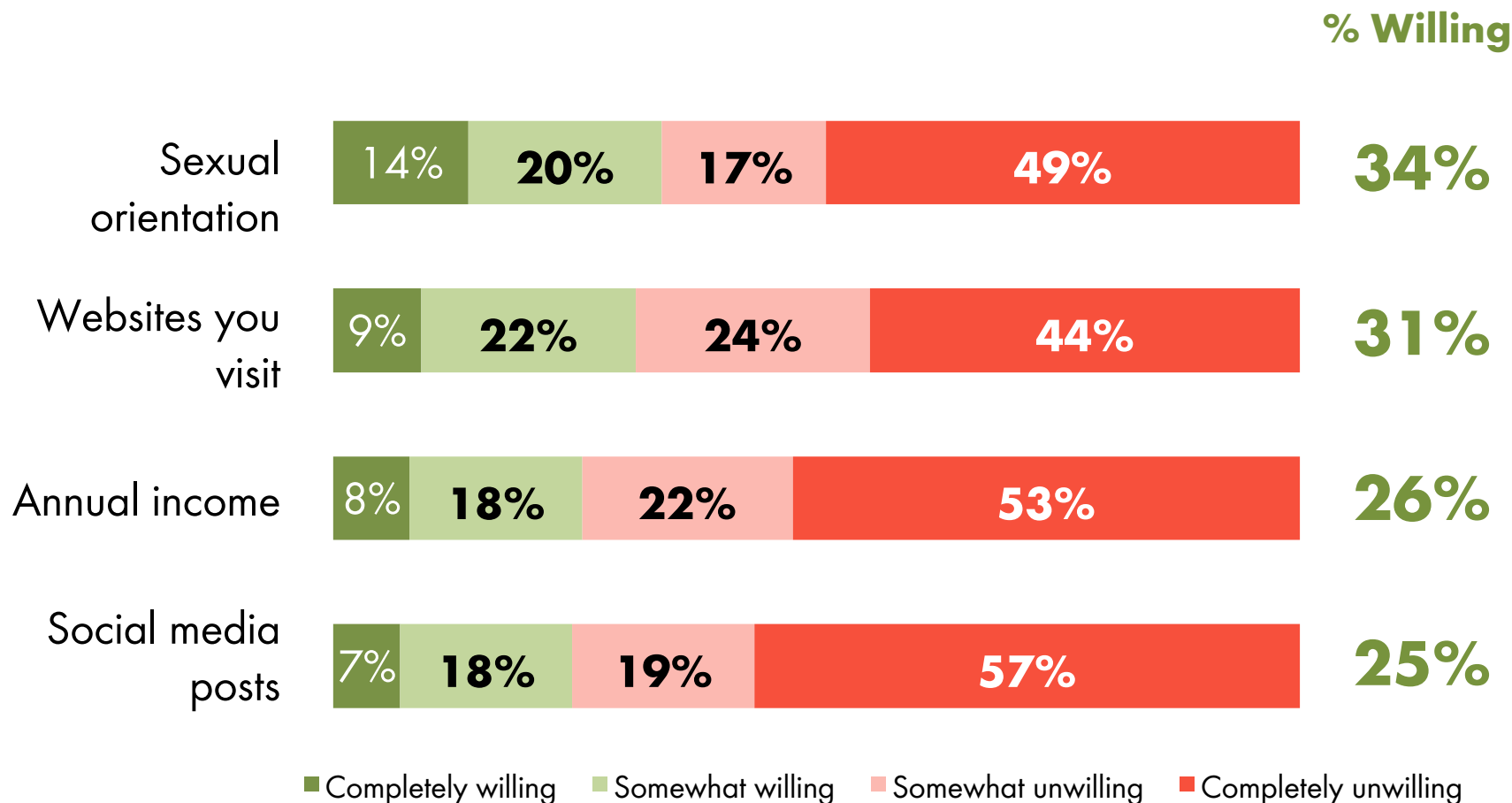
# They're less willing to have advertisers see the products they've purchased or searched, or their ethnic background

WHAT TYPES OF INFORMATION ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT?



# Consumers are least willing to have their sexual orientation, income, or site/social media behavior shared

WHAT TYPES OF INFORMATION ARE YOU WILLING TO ALLOW ADVERTISERS TO COLLECT?





# Conclusions

# When it comes to commercials in TV, consumers want to have their cake and eat it too

- They prefer free ad-supported platforms over any other model...
- **...provided they're able to fast forward through commercials**
- If the survey question specifies that fast-forward is disabled, the top choice becomes paid, "all you can eat", ad-free subscriptions



# We can thank the DVR and ad-free TV services for dramatically changing consumers' ad expectations

- The biggest perceived drawback of live TV and VOD from pay TV companies?

**Ads that can't  
be skipped**

- The strongest perceived benefit of SVOD providers?

**There are no  
commercials**

- Among those who watch on a DVR, the **vast majority use them to skip commercials**



# But all is not doom and gloom for the future of ad-supported TV

- A hypothetical ad-supported platform from Netflix could attract a majority of its subscribers if it were \$4 - \$6 less than its ad-free service
- New technologies that improves the advertising experience show great potential for making ads more tolerable and engaging. In particular...
  - **Innovative ad delivery** (e.g., gamifying the ad viewing experience)
  - **Placing real or perceived limits** on ad load (e.g., one ad per pod, or a clock counting down the ad pod)
  - Consumers see great value in **more relevant advertising**, and about 40% are willing to share personal information and data for ads targeted that way

