Streaming services turn their attention to ad-supported subscription tiers

The news: Ad-supported video is the new hot thing in streaming. Several major streaming services—and even subscription-based video-on-demand (SVOD) services, which have
historically opposed advertising—have either expressed interest in or already launched ad-supported channels.

More on this: All eyes are on Disney at the moment, which is preparing to launch a cheaper, ad-supported tier later this year that it hopes will help it reach 230 million to 260 million subscribers by 2024, per The Verge. But it's far from the only streamer eyeing ad-supported video-on-demand (AVOD).

- Last year, the famously ad-averse HBO made the first crack in the dam between “prestige” streamers and advertisers when it launched an ad-supported subscription tier for HBO Max.
- That move, combined with Disney’s growing market share, may have caused ad-free industry leader Netflix to wonder whether the grass is really greener on AVOD’s side of the fence. At a conference earlier this week, CFO Spencer Neumann said “never say never” to the prospect of an ad-supported tier before restating confidence in the company’s subscription model.

The ad-supported model is not new: Hulu has proven its potential with long-standing ad-supported viewing channels, and less popular services like Peacock have relied on it as well. Warner Bros. Discovery’s upcoming streaming rebrand could also feature ad-supported channels.
Why ads, why now? Offering cheaper, ad-supported subscription tiers is a win-win for streaming services in a crowded market looking to increase revenues without going overboard on raising subscription costs.

- Streaming services are more expensive than they’ve ever been. Netflix recently increased its prices yet again: Its $15.49-per-month standard plan is now significantly more expensive than existing bundles and ad-supported subscription options. Even Disney+, still a relative
newcomer to the scene, has already increased its prices from $6.99 per month to $7.99 per month.

- That rising cost, and the growing number of competitors, means consumers in the US are **hesitating** to add new services and are looking for cheaper options. About 25% of US internet users also already watch a combination of the AVOD and SVOD channels, per Tubi **estimates**.

- There's another obvious benefit: With an ad-supported channel comes revenues from advertisers. Streamers are already **powerful forces** in TV advertising, but an even greater opportunity exists for Disney, which can now court family-friendly brands to advertise on Disney+ while it covers more general and “adult” audiences via **ESPN** and Hulu.