

Streaming services turn their attention to ad-supported subscription tiers

Article

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.

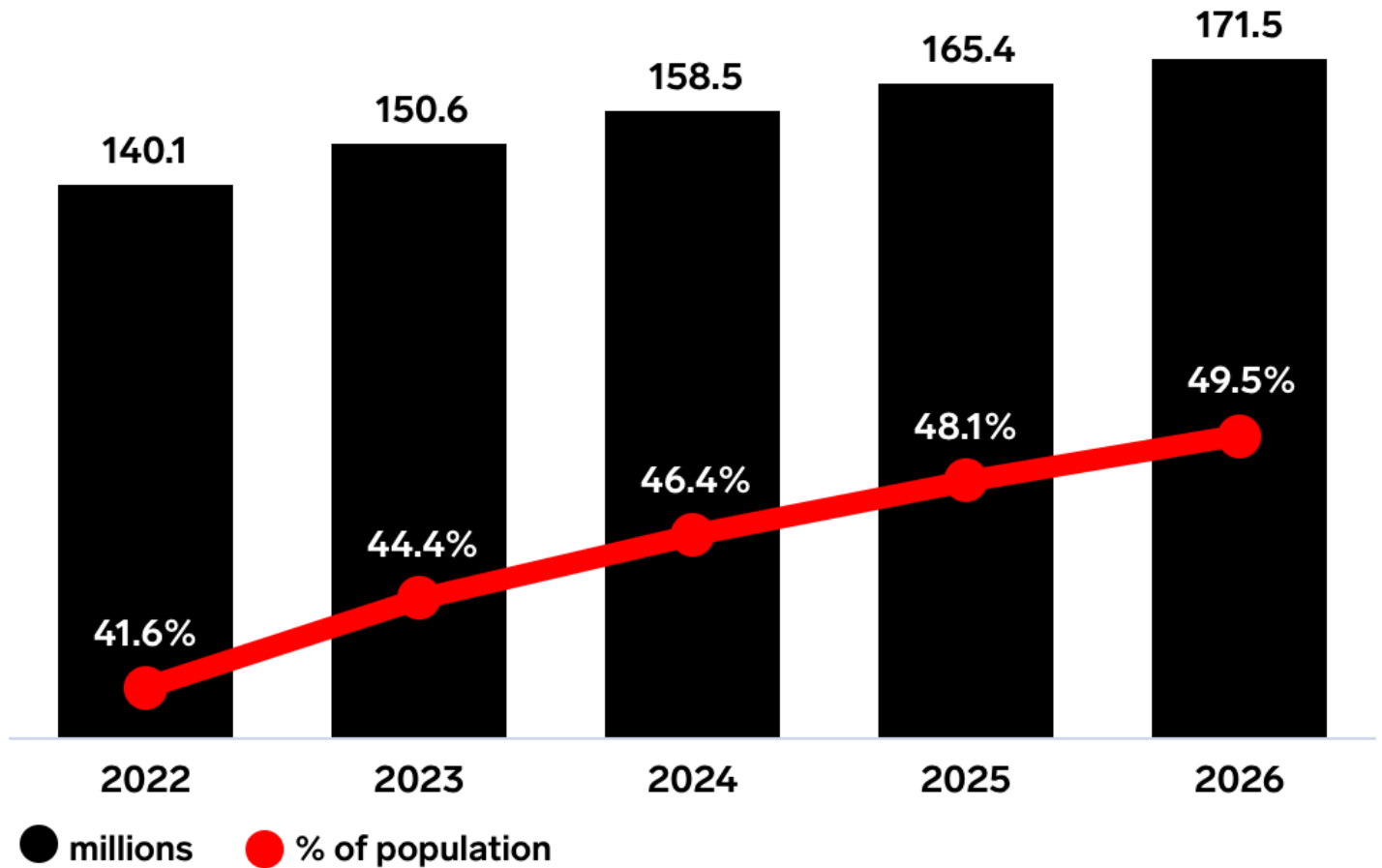
More on this: All eyes are on **Disney** at the moment, which is preparing to launch a cheaper, ad-supported tier later this year that it hopes will help it reach 230 million to 260 million subscribers by 2024, [per](#) The Verge. But it's far from the only streamer eyeing ad-supported video-on-demand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

AVOD Viewers

US, 2022-2026



Source: eMarketer, February 2022

eMarketer | InsiderIntelligence.com

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.