

Ad tiers for digital video are gaining popularity in the US, suggesting pent-up demand

Article

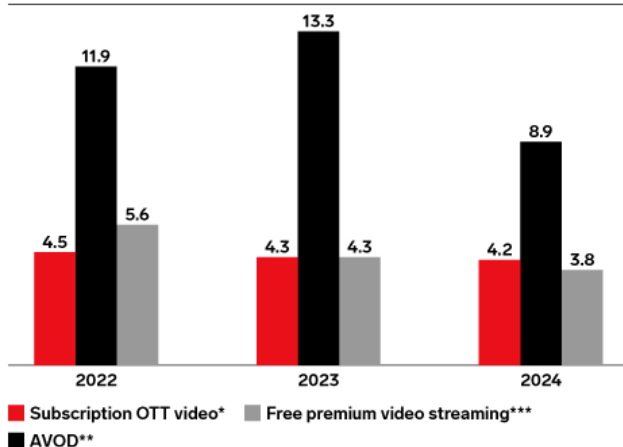
US consumers are flocking to low-cost plans with some amount of advertising. In 2022, increases were especially pronounced among ad-supported video on-demand (AVOD)

services, with The Roku Channel, Tubi, Pluto TV, Amazon Freevee, and Crackle all adding viewers and continuing to do so through at least 2027. At the same time, other streaming services with ad plans—including Hulu, Disney+, Paramount+, and Peacock—will see net growth in their viewership through 2027.

- **The ads have it.** AVOD services added 11.9 million viewers in 2022, with free premium video streaming services tacking on another 5.6 million. Those gains dwarfed those of subscription OTT viewers, and similar trend lines will continue in 2023 and 2024 before gains start to even out across service categories in 2025.
- **Consumers agree: The best things in life are free.** Free premium video streaming services—a subset of AVOD that's limited to services accessible without a subscription—will top 100 million US viewers in 2023 and continue growing through 2027. Although growth in these services is slowing, the milestone is another indicator of consumer appetite for ad-supported streaming.
- **Household viewing continues its shift to digital.** Our forecasts for viewing habits by household show important tipping points in the ongoing migration from traditional TV to digital alternatives.
- **Less than half of US households now subscribe to traditional pay TV.** The percentage fell below 50% in 2022 and will continue a steady decline through 2027, when only 34.9% of households will have traditional pay TV service. These figures do not include internet-delivered live TV services such as YouTube TV, Hulu + Live TV, Sling TV, and fuboTV.
- **The cord-cutting trend continues.** By the end of 2027, US households without any form of pay TV will outnumber those with some form of pay TV. In this comparison, pay TV includes both traditional pay TV and digitally delivered services known in industry parlance as virtual multichannel video programming distributors (vMVPDs).
- **The revolution will be connected.** In 2024, US CTV households will more than double traditional pay TV households.

US Subscription OTT Video*, Ad-Supported Video-on-Demand (AVOD), and Free Premium Video Streaming*** Viewer Gains, 2022-2024**

millions



Note: *individuals of any age who watch video at least once per month via any app or website that provides paid subscription access to streaming video content over the internet and bypasses traditional distribution; examples include Amazon Prime Video, Disney+, Hulu, Netflix, Sling TV, and YouTube Premium; **individuals of any age who watch videos at least once per month (via app or website) on an ad-supported platform that primarily offers professionally produced content; examples include Hulu, Peacock, Pluto TV, The Roku Channel, and Tubi; viewers of Disney+'s and Netflix's ad-supported tiers will be included as these options are rolled out; excludes services like Twitch and YouTube; AVOD services are not mutually exclusive; there is overlap between groups; ***individuals of any age who watch videos (via app or website) on a free-to-access ad-supported platform that primarily has professionally produced content at least once per month; examples include Pluto TV, The Roku Channel, and Tubi; excludes services like Hulu, YouTube, and Twitch; free premium video streaming services are not mutually exclusive; there is overlap between groups
Source: Insider Intelligence, March 2023

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Note: Free premium video streaming services, as a category, is similar to free ad-supported streaming TV (FAST). However, according to our definitions, the former excludes YouTube, while FAST includes it.

Report by Paul Verna Mar 31, 2023

Q1 2023 Digital Video Forecasts and Trends

