

tubi

# WHAT'S SHAPING THE FUTURE OF STREAMING

AVOD VIEWERSHIP TRENDS & INSIGHTS

A White Paper by Tubi

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**THIS REPORT FOCUSES ON THE DRAMATIC CHANGES WE ARE EXPERIENCING IN THE TV AND ADVERTISING-SUPPORTED VIDEO ON-DEMAND (AVOD) LANDSCAPE IN 2020.**

**YOU'LL LEARN ABOUT WHAT'S DRIVING THE GROWTH OF ON-DEMAND VIEWING; RESPECTIVE SHARE OF ATTENTION AND WHAT'S KEEPING PEOPLE ENGAGED; AND HOW BRANDS CAN FUTURE PROOF THEIR INVESTMENT STRATEGIES FOR THE MONTHS AND YEARS AHEAD.**

### KEY TAKEAWAYS

- » There is an emerging willingness among consumers to watch ads, with 45% of consumers saying they would try a new ad-funded service to watch something new.
- » 25% of 18 to 34-year-olds have swapped a paid-for service for a free platform prior to September, with a similar number canceling a paid-for service before the end of a free trial period.
- » Movies on streaming services are popular at present. The average viewer watched almost five movies a week.
- » Nostalgia and comfort viewing are factors for today's streaming viewer. Among Tubi's customer base, more than half (51%) say they are interested in watching older content.
- » A deep content library coupled with hyper-personalization and content discovery are key for AVOD's success.

## INTRODUCTION

The global spread of COVID-19 has turned the world, and our lives, upside down. Our routines and structures, our working environment, how we spend our free time, who we spend our free time with, have all fundamentally changed.

In the space of a few short months, everyday activities that shaped our days were curtailed. Travel grounded to a halt, movie theaters and restaurants closed and sports stadiums fell silent. Homes, meanwhile, became makeshift playgrounds, schools and offices - often to the consternation of working parents.

But amid such unique and challenging circumstances, opportunities and unexpected benefits emerged.

Tiresome and time-consuming office commutes were eliminated as many of us experienced the flexibility of working from home. Families spent more time together and new skills were learned. Time, a once precious commodity in the fast paced pre-COVID-19 era, was no longer in such short supply. All of which has led to our viewing habits changing dramatically.



# THE GROWTH OF ON-DEMAND VIEWING

With so much time spent indoors, it was perhaps inevitable that TV, in all its forms, would experience a period of sharp growth. OnePoll research commissioned by streaming platform Tubi has illustrated that on-demand entertainment was among the sectors to benefit most as people took advantage of state-sanctioned stay-at-home orders.

Such an extraordinary sequence of events also accelerated already-shifting consumer habits and behaviors. If lockdowns and associated measures have inflicted further damage on traditional brick and mortar retailers, the likes of Amazon, Uber Eats and other home-delivery ecommerce players have positively flourished.

As the Tubi research revealed, the same can be said of the streaming sector. While movie theaters and live venues have suffered, such profound adjustments to the way we live our lives has seen millions flock to streaming

platforms. Viewing numbers were certainly rising regardless, but the events of 2020 have supercharged this growth.

Tubi chief content officer Adam Lewinson recognized that streaming is having a 'moment'. "I regret the moment, as I think we'd all rather have our lives back, but having said that, every day we are getting viewer feedback of 'thank you for existing' because it's a really tough time right now and everyone is looking for comfort TV."

Amid the overall prosperity of the streaming industry, existing trends within the sector have become more pronounced.

During such a tumultuous economic environment, when businesses have closed and many thousands of jobs have ceased to exist, consumer spending power has been placed under extraordinary strain.

And when budgets are tight, discretionary spending is the first to go. To that end, it is the free subscription, ad-supported video on demand (AVOD) players which appear to have been the major beneficiaries of the streaming boom. While the trajectory of Tubi, and other AVOD services, was on the rise before the pandemic, the onset of COVID-19 has hastened that trend.

day on top of what they were watching when quarantine measures began impacting our lives in March and April.

The survey also highlighted the propensity for viewers to become hooked once they immersed themselves in a particular show. Respondents habitually tuned in to multiple episodes in one sitting, binge-watching four shows over the two months prior to August on average. Again, in the younger age bracket - 18 to 35 - that figure rose to five shows.

Watching movies on streaming services has also proved a popular pastime, with the average viewer in the survey watching almost five movies a week over the past two months, a total of almost 40.

There is little doubt the lockdowns have been particularly tough on certain groups of people, parents among them. Many have been forced to juggle the demands of working from home while simultaneously keeping their child occupied.

While two out five estimated their child was now streaming more content, just over half (54%) either strongly or somewhat agreed they were dependent on streaming services to keep their child busy without the usual routines and activities.

Yet not only do most parents rely on streaming to keep their kids entertained, they also consider them an outlet for learning. The study showed 55% of parents think TV has become an educational tool when schools are not open, perhaps reflecting the deep and diverse nature of available content.

## STREAMING BOOM CONTINUES IN SECOND WAVE OF LOCKDOWN

Across the Tubi-commissioned survey of 2,000 Americans, a picture emerged of the pivotal role played by streaming services over the summer. Not only was the wealth of content a vital distraction from the constant negativity and overwhelming flow of COVID-19 news, it provided respite for many parents struggling to keep their children occupied during weeks of school closures and canceled activities.

According to the study, more than half (52%) of respondents agreed they streamed more than they would have done in usual circumstances, an increase that is reflective in Tubi's own customer data.

The trend in the OnePoll survey was particularly pronounced in the 18 to 24 and 25 to 34 age range, with 68% and 64% respectively confirming they took advantage of the stay-at-home rules and streamed more content.

For the average 25 to 34-year-old, that additional content translated into four more hours each



68% of 18-24 year olds and 64% of 25-43 year olds streamed more content than usual during lockdown.



55% of surveyed parents think TV has become an educational tool when schools are not open.

### MARKETER TAKEAWAY

Streaming has become table stakes for consumers and advertisers. With more audiences streaming than ever, advertisers should invest early in upfront deals to secure highly coveted streaming ad inventory.



# AVOD CURES SUBSCRIPTION FATIGUE

While clearly evident that the streaming industry as a whole has benefited - and provided benefits - during the upheavals of 2020, AVOD services in particular have seen rapid uptake, and are increasingly rivaling their paid-for competitors.

Tubi alone has witnessed its total view time surpass 600 million hours streaming in Q3 2020 from its 33 million monthly active users.

It was a trend identified in a Nielsen study, *Beyond SVOD* (Subscription Video On Demand), which noted that ad-supported streaming is starting to “stand out”. According to its data, “other players” beyond the paid-for subscription services account for 23% of total streaming in the US<sup>1</sup>.

The amount of time spent watching this content in the second quarter of 2020 climbed 57% year-over-year, to more than 12 billion minutes<sup>2</sup>.

Ad-funded platforms accounted for 21% of this “other” category, Nielsen said<sup>3</sup>. “While much of the streaming discussion focused on high profile subscription video on demand (SVOD) like Tiger King, Ozark and Upload, ad-supported video on demand continued to expand its foothold,” Nielsen said in its report.

Even prior to the pandemic, there appeared to be growing subscription fatigue as the rising number of SVOD services attempted to grab their share of the consumer wallet. COVID-19 has only exacerbated that sentiment. Fatigue has never been felt more acutely, and free services have never felt more appealing.

In the qualitative survey of Tubi’s own customer base, more than half of 858 respondents identified the free model as representing great value. This undoubtedly is a feeling exacerbated during times of economic uncertainty, when financially-anxious consumers look for ways to scale back.

And COVID-19 has triggered financial pressures and anxiety like never before. It is a phenomenon backed up by the OnePoll research, particularly among younger viewers. Of respondents aged 18 to 34, one in four revealed they have canceled a paid-for streaming membership in recent months and replaced it with a free service.

Meanwhile, 3 in 10 across all demographics confessed they were experiencing financial difficulties and were re-evaluating their streaming budget, a number which climbed to almost half of 18-24-year-olds and 45% of viewers aged 24 to 35.

As the Nielsen report recognized, “rising unemployment in the US is a clear indicator of consumers’ ability to spend, and on what”.

“Free will be key for cash-strapped consumers, and consumers with multiple subscriptions may pare down to be more fiscally responsible,” the report concluded. “If times get tight, ad-

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Research also found that 45% of total respondents would try a new streaming service with ads to watch something they had yet to see.



supported free models could supplement any gaps left by canceled services.”

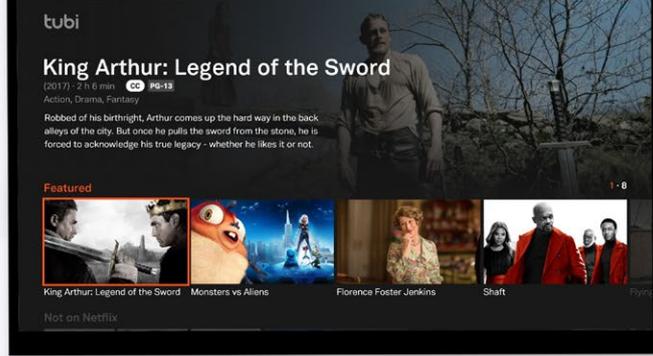
A further demonstration of subscription fatigue, can be found in the willingness to sign up for a free trial, and canceling before parting with any money. One in four have done just that, rising to 45% of 18 to 24-year-olds and 41% of 25 to 34-year-olds. Of those who have canceled a service before the free trial ended, they did so an average of three times.

Furthermore, 17% of those surveyed have shared passwords to gain free access to a streaming service. Again, the practice was more prevalent among younger viewers, with almost four in 10 aged 18-24 exploiting the password-swapping loophole.

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### MARKETER TAKEAWAY

Free, ad-supported streaming has never mattered more. Advertisers should look to invest in platforms that are truly free - without hidden fees or markups that may negatively impact consumer perception.



# INSATIABLE DEMAND FOR CONTENT AMONG CONSUMERS

Streaming players across the spectrum have built their reputations, and grown their audiences, on the back of engaging content experiences. But it remains imperative to keep expanding the depth and range of programming. Illustrating that need was the OnePoll finding that 35% of consumers experiment with new services in order to broaden their program choices.

Furthermore, two in five said they are struggling to find new content having exhausted their options earlier in quarantine.

In the qualitative survey of its own users, a third described Tubi as a great experience due to the amount of content they have not seen before. A further 64% said they find it easy to find something to watch.

And, it doesn't seem that the content audiences are watching always has to be new. Among Tubi's customer base, more than half (51%) are interested in watching older content. In fact, the AVOD platform saw a surge in nostalgia viewing behaviors as audiences yearn for normalcy and comfort.

Tubi's content library is comprised of over 26,000 movies and TV series, sourced from 250 providers - providing the depth of content needed to meet consumer demands. But in addition to having a large volume of choices, there is an expectation that what gets surfaced is unique to the viewer tuning in. Tubi's personalization engine, driven by machine learning, uses data to inform what content gets presented to who and when.



2 in 5 respondents said they were struggling options during quarantine.



The Tubi content library comprises 26,000 movies and TV series, sourced from 250 providers.

And for advertisers, the ability to leverage data to target their marketing messages to the most receptive audiences is of paramount importance.

“The ability to go granular and find exactly the viewers you want to find is a true advantage and these are levers you can’t pull in a linear environment,” Tubi’s Lewinson observed.

Viewers are happy to watch ads if those ads are relevant. However, there are pitfalls. Consumers will only regard it as a fair value exchange – watching commercials as a precondition of accessing free content – if ads are not excessively repeated.

For advertisers, while digital provides all the tools to prevent over-frequency, OTT buying methods across dozens of aggregators can lead to double spotting causing that excessive repetition. Tubi’s Advanced Frequency Management aims to solve this issue by transcoding every creative to identify same assets and manage frequency, no matter what the demand source.

Despite the SVOD industry conditioning consumers to believe ads are unnecessary and avoidable, there is a growing understanding, certainly within the AVOD sector, that tolerance towards commercials is rising, especially among younger demographics who are constantly served ads on YouTube, Twitter and TikTok.

In an environment of rising subscription fatigue, the acceptance of ads as a fair trade-off for free content is only likely to increase.

### MARKETER TAKEAWAY

Content diversity and personalization are core elements of a future proofed streaming platform.

## CONCLUSION

Today’s viewers of on-demand TV are increasingly focused on two key things: value for money and a large and relevant content library to choose from. With the longevity of the COVID-19 pandemic and its effects impossible to predict, there is a distinct opportunity in the months ahead for brands who understand the current state of play.

With on-demand viewing rapidly increasing - even as circumstances change - there is a window to have meaningful engagements with a growing, incremental audience base.

*Research conducted by OnePoll on behalf of US-based streaming service Tubi. The study surveyed 2,000 nationally representative Americans between August 7 -12, 2020. Additional sources (1,2,3): Nielsen Beyond SVOD Report, August, 2020*