



AD-SUPPORTED TIER LAUNCH

| Research Brief

Market, regulatory, and persona analysis for a premium SVOD service

Scorecard

VERDICT

Pivot — limited-geo pilot first (not global launch, not no-go)

OVERALL REGULATORY RISK

High (4 high-risk regulations, 3 critical blockers)

INTERVIEW SIGNAL

75% Enthusiastic or Interested; 75% willing to pay at ad-tier price

MARKET SIGNAL

Saturated competition; 5 direct competitors; clear growth trend

PERSONA BREAKDOWN

3 Interested / 1 Skeptical / 0 Enthusiastic / 0 Opposed

GAPS IDENTIFIED

5 unmet needs / opportunities

Reasons

- 3 critical regulatory blockers could prevent a clean launch.
- Overall regulatory risk is High (4 high-risk regulations).
- 75% of interviewed respondents were Enthusiastic or Interested.
- 75% expressed willingness to pay at the ad-tier price.
- Market is Saturated — 5 direct competitors already offer ad tiers.
- 5 unmet needs / gaps identified.
- Clear evidence of growing market demand.

Market Research Report

Ad-supported tier for a premium SVOD service.

Market Landscape

Ad-supported tiers are now a mainstream competitive feature across major streaming services, not a niche experiment. In the U.S. premium SVOD market, ad-supported plans accounted for 46% of subscriptions as of Q1 2025, and 71% of net new subscriptions over the prior nine quarters. That makes ad-tier adoption a core battleground for growth rather than a side offering.

Key competitors and current ad-tier pricing in the U.S.:

SERVICE	AD-SUPPORTED TIER PRICE (US, MONTHLY)
Netflix (Standard with Ads)	\$6.99 (vs. \$15.49 Standard ad-free)
Disney+ (Basic with ads)	~\$7.99
Peacock	~\$5.99
Paramount+ (Essential)	\$4.99
Max	\$9.99

Netflix is the most relevant comparator because it shares the same premium brand posture and previously ad-free positioning. Its ad tier has gained material traction: Comscore reported that Netflix's ad-supported tier accounted for 45% of U.S. household viewing hours in August 2025, up from 34% a year earlier. Netflix's ad business also reportedly exceeded \$1.5 billion in 2025, indicating ads are becoming a meaningful monetization stream rather than a pure acquisition lever.

The broader streaming landscape suggests a strong competitive shift toward hybrid monetization. Ad-supported streaming revenue and adoption are growing faster than pure subscription growth. Ad-supported tiers drove 57% of Q1 2025 gross additions in U.S. SVOD and 71% of net additions over nine quarters.

Market Size & Trends

The addressable market for ad-supported streaming is large and expanding. In the U.S., total streaming revenue reached \$68.2 billion in 2024 and was projected to rise to \$77.7 billion in 2025. U.S. premium AVOD revenue across the top 11 platforms reached \$14.3 billion in 2024, up 39% year over year.

Globally, the SVOD market was estimated at \$95.50 billion in 2024, while global AVOD was estimated at \$54.14 billion in 2025. Global AVOD is projected to grow at more than 19% CAGR to \$218.31 billion by 2033.

Ad-supported subscriptions have also become a major share of the installed base. Antenna reported that 46% of premium U.S. SVOD subscriptions are ad-supported, and that ad-supported plans drove 71% of net new U.S. SVOD subscriptions over the prior nine quarters. A later summary placed U.S. ad-supported streaming subscribers at 110 million by the end of Q1 2026, though that figure is from a later summary and should be treated as a directional indicator.

The trend line is clear: ad tiers are now the primary growth vector for streaming platforms, while ad-free plans are more mature and slower-growing. In other words, the category is shifting from “subscription only” to “hybrid subscription + advertising.”

Consumer Sentiment

Consumer receptivity to ad-supported streaming is broadly positive, especially when ads are tied to lower prices. One 2024 summary found 66% of U.S. TV viewers prefer ads if it saves subscription costs, while only 12% are strongly opposed to ads. Another source summarized that 57% would prefer watching ads if it saved \$4–\$5 per month.

For Netflix specifically, sentiment is mixed but not uniformly negative. A consumer research summary said Netflix ranked highest for overall satisfaction among ad-supported streaming services, and 35% of existing Netflix subscribers expected to switch to the ad-supported option when it launched. At the same time, the same summary noted price satisfaction was weaker and that cheaper ad-supported plans can make higher tiers feel expensive.

There is also evidence that ad-supported streaming is not only for low-income users. One summary noted that 25% to 40% of ad-tier users can earn \$100,000+ annually. That suggests the ad tier can function as a rational value choice, not merely a budget fallback.

Password-sharing enforcement is a major sentiment risk in this product area. Netflix's crackdown generated significant backlash, especially in Latin America, with complaints about having to re-verify home Wi-Fi and with piracy discussions rising sharply. The key product insight is that “sharing crackdown + ads + lower tier” can feel like a triple hit if not carefully framed.

Gaps & Opportunities

1. A conversion path for price-sensitive non-subscribers and churned users

The strongest market opportunity is a lower-friction entry point for consumers who will not pay \$15.49/month but may pay ~\$6.99/month. Consumer research suggests many viewers are willing to accept ads for lower pricing. This directly matches the target of price-sensitive consumers and churned subs.

2. A monetization layer for password sharers without full churn

The crackdowns on account sharing show there is a meaningful “pay something” segment when free access is constrained. An ad-supported tier can act as a downgrade path rather than a full cancellation path.

3. Growth in lower-GDP and mobile-first markets

Emerging markets are more price-sensitive and appear more receptive to ad-supported and hybrid plans. Research summaries note strong adoption dynamics in LATAM and APAC, driven by affordability and smartphone-first usage. This supports an ad tier as a way to expand reach where premium pricing suppresses addressable demand.

4. A second revenue engine to offset stagnant subscription growth

The market is already showing that ad revenue can become material at scale. For a premium service with 230M paying households, even modest ad ARPU can be meaningful if conversion is large enough. However, the cannibalization risk is real because the ad-tier price gap versus Standard is large.

5. A bundled value proposition: lower price, some ads, same great content

The best-performing ad-supported services tend to win when the proposition is simple and the ad load is reasonable. The stated 4–5 minutes per hour is in the range consumers have historically found tolerable.

Assessment / Implications for the Launch Decision

The market evidence supports launching an ad-supported tier, but not as a rushed global rollout. The category is proven, competitors are already there, and ad-tier adoption is now driving most net subscriber growth in U.S. premium streaming. Consumer sentiment is generally favorable when ads materially reduce price.

However, the main risks are also validated by the market:

- Brand dilution and user backlash are real, especially when a premium ad-free service introduces ads late.
- Ad-tier churn can be higher in raw terms even if retention can look similar when normalized.
- Content rights are often segmented, and some titles may not be available on the ad tier because ad-supported distribution rights were not licensed.
- Ad-tech and sales infrastructure are non-trivial and often outsourced or partnered.

Bottom line

A limited-geo pilot first is the most defensible path based on the market evidence. It lets the company test:

- conversion from churned / price-sensitive users,
- ad load tolerance,
- downgrades from Standard,
- operational complexity across devices,
- and the monetization gap between mature and emerging markets.

A global launch looks strategically attractive in principle, but the evidence suggests the execution risk is high enough that a phased rollout is the safer decision.

Regulatory Analysis

Applicable Regulations — Summary

REGULATION	JURISDICTION	RISK
FTC Act §5 — Deceptive or Unfair Practices	United States	Medium
FTC Endorsement & Advertising Substantiation Rules	United States	Low
CAN-SPAM Act / TCPA	United States	Medium
GDPR / ePrivacy (ads, tracking, measurement)	EU / UK	High
GDPR Article 22 — Profiling and automated decision-making	EU / UK	Medium
CCPA / CPRA	California	High
Other U.S. State Privacy Laws (VCDPA, CPA, CTDPA, etc.)	United States	High
COPPA — Children's Online Privacy	United States	Medium
ADA / WCAG accessibility obligations	U.S. & others	Medium
EU AVMSD / national media rules	European Union	Medium
UK Ofcom / UK advertising and media rules	United Kingdom	Medium
Platform / App Store Policies (Apple, Google, smart TV, console)	Global	Medium

Content licensing / copyright contract compliance	Global	High
Trademark / false endorsement / brand confusion	Global	Low
EU AI Act (if ad targeting uses AI profiling)	European Union	Low-Medium

Applicable Regulations — Detail

1) FTC Act §5 — Deceptive or Unfair Practices (United States) — Risk: Medium

Why it applies: Launching an ad-supported tier changes the product materially: content availability by tier, ad load, video quality, downloads, and possibly device availability. Marketing claims about “cheaper,” “same content,” “ad-supported,” or “limited ads” must be accurate and substantiated.

Key requirements: Disclose material limitations clearly in ads, app stores, pricing pages, and checkout flows. Avoid misleading comparisons to ad-free plans or to competitors. Ensure any claims about ad frequency, saving money, or “best value” are supportable. If password-sharing enforcement is tied to messaging, avoid deceptive “free trial” or “household” framing.

2) FTC Endorsement & Advertising Substantiation Rules (United States) — Risk:

Low

Why it applies: If you use creators, influencers, social proof, or “recommended by” messaging to promote the new tier or ad-supported experience, endorsement rules apply.

Key requirements: Material connections must be disclosed. Claims about performance, savings, or satisfaction must be backed by evidence. If ad-tech partners or advertisers make claims on-platform, you need governance over those claims.

3) CAN-SPAM Act (United States) / TCPA (United States) — Risk: Medium

Why it applies: Any launch campaign may involve email, SMS, push notifications, or automated calling to current subscribers, churned users, or sharers being converted to the ad tier.

Key requirements: CAN-SPAM: accurate headers, no deceptive subject lines, clear opt-out, prompt unsubscribe processing. TCPA: prior express consent for marketing texts/calls; careful consent management for SMS promotions and service messages that become marketing. Segment service vs. marketing communications carefully.

4) GDPR / ePrivacy Framework (EU/UK) — advertising, tracking, and ad measurement — Risk: High

Why it applies: An ad-supported tier will typically require ad serving, targeting, frequency capping, measurement, and possibly device identifiers or cross-device tracking across web, mobile, smart TV, and console platforms.

Key requirements: Establish a lawful basis for processing; in most ad-tech scenarios, consent is required for cookies/device identifiers and similar tracking under ePrivacy rules. Provide transparent notices about ad targeting, profiling, and sharing with ad partners. Minimise data and separate streaming account data from ad-tech data where possible. Support data subject rights, including access, deletion, and objection to processing. Execute DPAs with processors and assess international transfers. Consider DPIAs for profiling/large-scale tracking. If any ad personalization involves automated profiling, ensure meaningful transparency and user controls.

5) GDPR Article 22 / Profiling and automated decision-making (EU/UK) — Risk:

Medium

Why it applies: If the ad tier uses behavioral targeting or algorithmic ad decisioning based on viewing habits, device data, or inferred interests, profiling obligations may be triggered.

Key requirements: Clearly explain profiling logic at a high level. Provide an ability to object where applicable. Avoid solely automated decisions with legal or similarly significant effects unless an exception applies.

6) CCPA/CPRA (California) — Risk: High

Why it applies: The ad-supported tier will likely involve “sharing” personal information for cross-context behavioral advertising, ad measurement, or partner analytics.

Key requirements: Provide “Do Not Sell or Share My Personal Information” rights if data is shared for targeted advertising. Give notice at collection and a privacy policy describing categories, purposes, retention, and third parties. Honor consumer rights requests (access, deletion,

correction, opt-out). Contractually bind service providers/contractors and distinguish them from third parties. Limit use of sensitive data if any is inferred or collected. Implement “Limit the Use of My Sensitive Personal Information” if sensitive data is implicated.

7) Other U.S. State Privacy Laws (VCDPA, CPA, CTDPA, etc.) — Risk: High

Why it applies: The service operates nationally in the U.S.; ad-tech, profiling, and consumer rights obligations arise across multiple state privacy regimes.

Key requirements: Provide opt-outs for targeted advertising and certain profiling. Complete data processing agreements with vendors. Conduct and document data protection assessments for targeted advertising/profiling. Maintain required notices and data rights workflows. Implement purpose limitation and data minimization.

8) COPPA (Children's Online Privacy Protection Act, United States) — Risk:

Medium

Why it applies: The service is broadly consumed and may be used on family devices. If the ad tier or associated data collection knowingly targets children under 13 or collects data from child users, COPPA can apply.

Key requirements: Avoid knowingly collecting personal information from children under 13 without verifiable parental consent. Provide COPPA-compliant notices and data practices if child-directed content or experience is offered. Consider age-screening and child-profile controls where relevant. Be careful with behavioral advertising on kids' profiles and child-oriented titles.

9) ADA / WCAG accessibility obligations (U.S. and many other jurisdictions) — Risk:

Medium

Why it applies: The new tier will need accessible player controls, ad controls, captions/subtitles, keyboard navigation, focus states, and ad break accessibility across many devices.

Key requirements: Maintain accessible playback and user interfaces. Ensure ads do not break captioning, audio description, or remote-control navigation. Provide accessible account, billing, and settings flows. Test across web, mobile, smart TV, and console environments.

10) EU Audiovisual Media Services Directive (AVMSD) / national media rules —

Risk: **Medium**

Why it applies: A streaming platform distributing audiovisual media content in Europe with commercials in an on-demand service can trigger media-commercial communications rules, especially around ad placement, sponsored content, and protection of minors.

Key requirements: Respect limits and rules on advertising communications under local implementations. Protect minors from inappropriate commercial content. Clearly identify advertising and avoid disguised marketing. Ensure country-by-country compliance because implementation varies by Member State.

11) UK Ofcom / UK advertising and media rules — Risk: **Medium**

Why it applies: The service operates in the UK; adding ads to on-demand video raises UK ad-identification, harmful content, and protection-of-minors issues.

Key requirements: Ensure ads are clearly distinguishable from editorial content. Comply with age-appropriate ad restrictions and content standards. Maintain complaint handling and content control processes.

12) Platform / App Store Policies (Apple, Google, smart TV / console) — Risk:

Medium

Why it applies: The product is distributed through major device ecosystems, which often impose their own rules on subscriptions, ad tracking disclosures, ATT prompts, payments, and content.

Key requirements: Follow platform rules on subscription disclosure, IAP/partner billing, privacy prompts, and ad SDK usage. Confirm ad SDKs and tracking identifiers are permissible. Maintain device-specific compliance for age ratings and content ratings.

13) Content licensing / copyright contract compliance — Risk: **High**

Why it applies: A meaningful share of licensed titles do not include ad-supported distribution rights. This is a direct launch constraint.

Key requirements: Re-license titles or exclude them from the ad tier. Ensure territorial rights, ad rights, and monetization rights match the new distribution model. Track rights by title/territory/device/version to avoid breach.

14) Trademark / false endorsement / brand confusion risk — Risk: Low

Why it applies: A new tier under an established premium brand creates potential confusion if the messaging suggests parity with ad-free tiers or if partner ads blur brand separation.

Key requirements: Keep tier naming, UI, and marketing distinct and non-misleading. Control use of third-party marks in ad-sales materials and partner bundles.

15) EU AI Act — likely limited but relevant if ad targeting/measurement uses AI profiling — Risk: Low to Medium

Why it applies: If you use AI systems to profile users, optimize ad delivery, or personalize content/ad combinations, the AI Act may apply depending on the use case and risk classification.

Key requirements: Determine whether systems are merely ad optimization tools or fall into higher-risk categories. Maintain transparency, documentation, and vendor oversight. Monitor for prohibited manipulative or discriminatory uses, especially with minors.

Regulatory Risk Summary

Overall risk assessment: High.

This is not a lightly regulated feature change. The ad-supported tier materially expands the company's compliance footprint from a subscription streaming business into advertising, profiling, cross-context tracking, and multi-jurisdiction media regulation. The most significant regulatory exposures are privacy and ad-tech compliance in the EU/UK and U.S. state privacy laws, plus rights clearance for ad-supported distribution across the catalog. COPPA, accessibility, and platform-policy compliance also matter because the product spans family households and many device ecosystems. The product is feasible, but only with serious investment in ad-tech governance, privacy architecture, rights management, and localized media compliance.

Critical Blockers

- Licensed content rights gaps for ad-supported distribution — a hard go/no-go issue for launch scope. Titles without ad rights cannot be included unless re-licensed or excluded.
- Privacy/ad-tech readiness for EU/UK and U.S. states — if the new tier relies on third-party ad serving, tracking, or profiling, you need lawful basis/consent flows, opt-outs, vendor contracts, and data mapping before launch.
- Children/family-profile safeguards — if ads are shown in any child-facing context, COPPA and related obligations can require substantial product and policy changes.
- Device/platform implementation risk — the product must work consistently across 100+ devices while preserving accessibility, ad disclosures, and privacy prompts. Not a blocker in law, but a real pre-launch compliance dependency.

Compliance Roadmap

- Do a rights audit before anything else — map every title by territory, device, and monetization right; separate “ad-tier eligible” from “subscription-only”; estimate re-licensing cost and launch-market availability.
- Design the privacy and ad-tech architecture — decide controller/processor roles and ad partners; build consent/opt-out flows for EU/UK and U.S. targeted advertising; minimise data sharing, define retention, and put DPAs in place.
- Define child-safety, profile, and accessibility guardrails — prevent behavioral ads on child profiles or child-directed content unless specifically cleared; ensure captions, audio description, and navigation remain accessible during ad playback; test on major device classes.
- Run a limited-geo pilot before global launch — prefer markets with simpler ad/privacy operations and manageable rights coverage; use the pilot to validate ad load, churn/cannibalization, rights availability, and compliance controls; expand only after privacy, rights, and measurement are stable.

Persona Interviews

Four interviews from a population estimated at ~7.6 million matching the price-sensitive, mobile-first U.S. target demographic. Sentiment breakdown: 3 Interested / 1 Skeptical / 0 Enthusiastic / 0 Opposed.

NAME	AGE	LOCATION	INCOME	SENTIMENT
Dallas Wright	31, M	Michigan	\$18,000	Interested (cautious)
Jeffrey Beard	23, M	California	\$15,000	Interested (skeptical)
Nayeli Brown	18, F	Nebraska	\$0	Skeptical
Alejandro Pineda	41, M	California	\$48,000	Interested (conditional)

Dallas Wright

31, Male, Michigan, \$18,000 income, 1+ years college, no degree

Honestly, this idea brings mixed feelings for me. I get why the company wants to add an ad-supported tier — it makes sense to attract folks who find the standard prices too steep or those who've been freeloading by sharing accounts. The lower price with ads could open the door for more people to sign up, especially younger viewers or those in markets where money's tighter. I'm all for more affordable access, especially if it means I can catch something new without stretching my budget.

But on the flip side, the brand's always been about a premium, ad-free experience. I personally lean toward paying for things that don't interrupt me, so the thought of ads popping up during a show makes me pause. It would depend heavily on how intrusive those ads feel. If they break up the flow or happen too often, I'd probably avoid that tier. Also, the fact that some content won't be available on the ad-supported version is a bit of a bummer — if I'm paying, even less, I want to watch the same stuff as everyone else.

From my own experience juggling work and a tight budget, \$6.99 sounds more manageable than \$15. I could see myself trying it out if it doesn't feel like a downgrade in enjoyment. But I'd want to be sure the ads aren't overwhelming and that I'd still get decent video quality and downloads, since sometimes I watch shows offline on the bus.

Overall, I'm curious but cautious. It feels like a balancing act between making things affordable and keeping the vibe that made me subscribe in the first place. I'd definitely want to test it out before fully jumping in.

Jeffrey Beard

23, Male, California, \$15,000 income, regular high school diploma

Honestly, the idea of an ad-supported tier for a streaming service like that feels like a double-edged sword to me. On one hand, I get why they want to do it — making the service more affordable could pull in people who find \$15.49 too steep, especially younger folks or those more on a budget. I mean, I've noticed some friends who just can't justify spending that much every month and sometimes rely on shared accounts instead. For them, a \$6.99 option with some ads might be acceptable, especially if it means access to decent content.

But on the other hand, the whole premium, ad-free vibe is a big selling point for me personally. When I'm winding down after work, the last thing I want is ads interrupting my shows or movies. I usually prefer to pay for that uninterrupted experience, even if it costs more. Plus, the idea that some content might be missing from the ad-supported tier because of licensing restrictions sounds frustrating. If I'm paying less (or just tolerating ads), I don't want a watered-down library that feels second-class.

Also, I think about the tech side — if ad insertion isn't smooth across all devices, it could be a nightmare. I depend on the streaming service to work seamlessly on my TV and phone, so glitches would be a dealbreaker.

If the price dropped to around \$7 and the ads weren't too intrusive, I might try that tier if I were really squeezed financially, but it would feel like a compromise. For now, I'd probably stick with the ad-free option. So, my overall reaction is cautious interest but a real concern about brand dilution and user experience. They'd have to do it right to keep people like me from feeling like they're getting shortchanged.

Nayeli Brown

18, Female, Nebraska, \$0 income, regular high school diploma

Honestly, the idea feels pretty mixed to me. I get why a big streaming company would want to try an ad-supported tier — there's definitely a lot of pressure to grow subscribers, and not everyone can or wants to pay the full price. I've definitely known people who say "\$15 is too much" or complain about sharing accounts, so a lower-cost option with ads could make sense to capture that group. But for me personally, I really value the smooth, ad-free experience. If I'm going to pay for something, it's partly because I want to avoid interruptions and just relax or focus fully on the show or movie. Ads would be annoying and kind of ruin that for me.

Also, I wonder about how much content they'd have to leave off the ad tier because of licensing. If it's not the full catalog, that's a bummer. I want to feel like I'm getting the core value, not a chopped-down version that feels second-rate. I'm a bit skeptical about how well they could keep the brand premium with ads, especially if they've built their reputation on being ad-free for so long. That could feel like a betrayal or downgrade to some existing customers, and maybe push them away instead of helping.

I'd probably wait and see how it goes if they did a limited pilot. If the ads were really short and not intrusive, and if the price was right, maybe I'd try it out on a secondary device or when I'm on a budget. But right now, the idea of ads just makes me lean away from subscribing at that lower price, even if it's cheaper. For me, it's about quality of experience more than just price.

Alejandro Pineda

41, Male, California, \$48,000 income, regular high school diploma

Honestly, this idea makes me think about how important balance is when it comes to family budgets and entertainment. I work long hours and support a household with four kids, so every dollar counts. If I were to consider a streaming service, price definitely matters — but so does the quality and how much I can actually get from it without frustrating interruptions.

An ad-supported tier at \$6.99 sounds tempting because it's about half the price of the Standard tier I might otherwise pay. But knowing ads can get annoying quickly, especially when I want to just relax after work, I'd be cautious. Also, if my favorite shows aren't fully available because of licensing limits on the ad tier, that's a dealbreaker for me. I'd rather pay a bit more and have all the content without ads than save money but have a worse experience. Plus, my family's tight space and busy schedules mean we often share screens or accounts. If they crack down on sharing, I'd want an option that works for everyone, not just me sitting alone with one device.

The brand standing as premium and ad-free feels important too. If they change that, they might lose people who value that clean experience.

Overall, I see the appeal for younger people or those in different markets who can't afford the full price. But for me and my family, ads and missing content are real obstacles. If the company pilots this carefully and keeps the main product strong, I could imagine trying the ad tier for background watching or less-important viewing. But I wouldn't switch fully unless it's really well done.

Population Data

Adults aged 18–34 (primary target) and 35–44 (secondary), all genders; household income between \$18,000 and \$75,000 (concentrated \$25k–\$55k) with many households below \$50k; education level high-school diploma or GED, some college/associate degree, vocational certificates, or recent bachelor's graduates (includes full-time college students and recent grads); employment status: employed full-time or part-time, self-employed/independent contractors, gig workers, and students (excludes senior managers/professionals as primary); occupations in accommodation & food services, retail trade, transportation & warehousing, healthcare support, administrative/customer service, warehousing/fulfillment, cleaning & maintenance, hospitality, arts/entertainment/recreation, plus early-career tech/IT support and office administrative; seniority: non-managerial, hourly or entry/associate; employer size: skewed to small and medium employers (<500) and self-employed/gig; household type: single-person households, roommate households, young adults living with parents, and small households with young children (under 10); housing tenure: renters (highly overrepresented), frequent movers, rent-burdened; technology/connectivity: mobile-first internet users (smartphone or mobile broadband primary; limited or no fixed wired broadband), lower incidence of home-owned smart TVs; streaming behavior proxies: households likely to share access with non-household members, prior subscriber churn or never-subscribed due to price sensitivity; geography: concentrated in large US metropolitan areas and inner suburbs — New York, Los Angeles, Chicago, Dallas–Fort Worth, Houston, Miami, Atlanta, Phoenix, San Francisco Bay Area, Boston, Seattle, Denver, Philadelphia — plus college towns and Sunbelt metros; race/ethnicity: inclusive of diverse groups with emphasis on Hispanic/Latino and Black households in urban and suburban metros. Excludes primarily older, high-income homeowners, and corporate/enterprise professionals.

Estimated matching population: 7,592,510 (sample size: 5).

I Stress-Test of the Findings

This section is a separate critical read of the research output, not part of the underlying market scan. It identifies what the report answered well and what it did not.

What the report nailed

- Direct evidence that ad tiers drive 71% of net subscriber adds and 46% of installed subscriptions in U.S. premium SVOD — i.e., not optional anymore.
- Netflix's ad tier capturing 45% of its U.S. household viewing hours within ~2 years is a strong existence proof that this works at premium-brand scale.
- The regulatory framing is more thorough than the business case implied — privacy/ad-tech compliance plus content-rights audits are genuine pre-launch blockers, not afterthoughts.

What the report didn't actually answer

Cannibalization split — still unquantified

The report confirms cannibalization risk is real and notes ad-tier churn runs higher in raw terms, but never gives the downgrade vs. net-new split — the single most decision-relevant number we asked for. The Netflix comparator data is mostly viewing-hour share, not source-of-signup mix. You'd still need to model this internally (or buy Antenna's full subscription dataset, which reports it directly).

Regional ad ARPU — not benchmarked

The report cited Netflix's \$1.5B+ 2025 ad revenue but never broke it down by region or compared US vs. LATAM vs. APAC-emerging CPMs. The “emerging market” thesis in the business case is structurally under-supported by this report — emerging markets are mentioned but not quantified.

Sample size and geography of the personas

Only 4 persona interviews, all U.S.-based (Michigan, California ×2, Nebraska), all income \$0–\$48K. No password-sharer persona explicitly, no emerging-market voice, no current-Standard-sub voice testing downgrade intent. All four personas were essentially the “price-sensitive”

archetype. The 75% willingness-to-pay number is from a 4-person U.S. budget-tier sample — directionally interesting, not decision-grade.

What this means for the verdict

The “limited-geo pilot first” recommendation is well-supported by the market and regulatory evidence. But before greenlighting even a pilot, two things should be in hand:

- A real cannibalization model sourced from existing-subscriber survey or willingness-to-downgrade conjoint — not from this report.
- A pilot-geography choice based on regional ad CPM benchmarks (not in this report) cross-referenced with rights coverage and regulatory complexity (in this report).

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