

The dominance of ad-free streaming poses marketing problems

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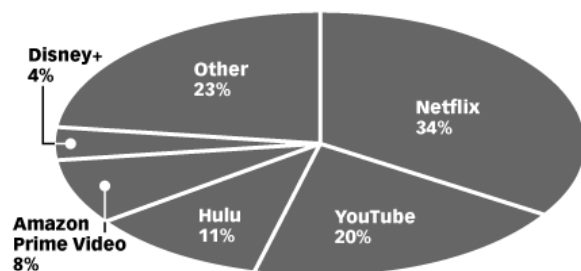
Ross Benes

A major challenge in measuring connected TV (CTV) audiences is that most of the time people spend streaming happens devoid of advertising.

The ad-free services Netflix, Prime Video, and Disney+ accounted for nearly half of all time spent with streaming in Q2 2020, according to Nielsen. The two most popular services with advertising, YouTube and Hulu, feature subscription ad-free tiers, so a portion of viewing on those platforms also happens without ads. The top five streamers accounted for about three-fourths of all time spent with streaming.

Share of US Streaming Video Usage, by Service, Q2 2020

% of total



Note: among ages 2+
Source: Nielsen, "Total Audience Report: Q2 2020" as cited by NextTV, Aug 12, 2020

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The long tail that makes up the remaining fourth is split between ad-free services (like Apple TV+), ad-reliant services (like Pluto TV), and hybrid services that have ad-supported and ad-free tiers (like Peacock).

Comscore had similar findings. It estimated that Netflix, Prime Video, and Disney+ accounted for about half of total OTT viewing hours in July 2020. The top five streaming services accounted for about four-fifths of total viewing time.

When added together, there is a massive amount of streaming happening without ads, which is how many users like it. Users have repeatedly cited Netflix's lack of ads as one of its most attractive features.

To be clear, we still expect CTV ad spending to significantly increase. Ad-free and ad-supported streaming are both growing, they aren't necessarily mutual exclusive categories. But the sustained usage of ad-free streaming matters to marketers because as streaming increasingly replaces traditional TV viewing, viewers will spend less time seeing ads. Additionally, even among ad-supported apps, the ad loads on streaming services tend to be much smaller than the ad loads on traditional TV.

Marketers can still reach viewers of ad-free services with workarounds. Tactics marketers use to reach viewers of ad-free services include striking product-placement deals, using automatic

content recognition (ACR) data to spot when audiences flip to ad-supported platforms, buying ads on affiliated properties, and utilizing lookalike modeling and contextual targeting to try to comply with privacy laws. But these tactics have trade-offs and require work. They are something marketers can layer onto a media plan, but they aren't a full replacement for advertising directly on a premier video platform.

To learn more about other challenges within connected TV (CTV) advertising, eMarketer PRO subscribers can read our recent report:

Report by Ross Benes Nov 10, 2020

US Connected TV Advertising 2020

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