The Impact of Advertising on SVOD Platforms in the Portuguese Market

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Dissertation written under the supervision of Professor Peter V. Rajsingh

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Abstract

Subscription video on-demand (SVOD) platforms have changed the way global television audiences consume content. It has successfully reinvented the traditional media and entertainment sectors while bringing about substantial changes in how content is produced, consumed, and distributed.

This thesis aims to analyse the impact of the introduction of advertising to streaming platforms may affect subscriber behaviour in the Portuguese market.

This is an observational, descriptive, and cross-sectional study with a focus on quantitative methodology, with a sample of 332 participants of both genders, aged between 16 and 34 years old and with Portuguese nationality. For data collection was used a questionnaire built specifically for this study based on the literature review carried out and includes the following parts: (i) sociodemographic characterization, (ii) identification of the current behaviour of subscribers to SVOD platforms, (iii) opinion of subscribers about the streaming services they subscribe to and (iv) interest in subscribing to new platforms through ad-subscription plans.

The study revealed that the introduction of an ad-supported plan would lead to 73% increase streaming subscriptions among the sample. Furthermore, one in four of the current full-price memberships in the sample would be 'downgraded' to a reduced-price plan with commercials if the ad-tier plan is discounted at least 50% off the full price.

Lastly, the main findings of the report will be discussed, and potential limitations and further research options acknowledged in this research project.

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Keywords: SVOD platforms, Subscribers Behaviour, Portuguese Market, Advertising

Resumo

As plataformas de serviço *video on-demend* (SVOD) transformaram a maneira como o público e as audiências consomem conteúdo televisivo. Conseguiram reinventar os meios tradicionais dos Media e Entretenimento, trazendo mudanças substanciais na forma como o conteúdo é produzido, consumido e distribuído a nível global.

Este estudo tem como objetivo compreender de que forma a introdução de publicidade aos serviços SVOD poderá afetar o comportamento dos subscritores.

Trata-se de um estudo observacional, descritivo e transversal com enfoque na metodologia quantitativa, com uma amostra de 332 participantes de ambos os sexos, com idades compreendidas entre 16 e 34 anos e de nacionalidade Portuguesa. Para a colheita de dados foi utilizado um questionário especificamente desenvolvido para este estudo baseado revisão da literatura efetuada e com as seguintes partes: (i) carateterização sociodemográfica, (ii) identificação do comportamento atual dos subscritores de plataformas SVOD, (iii) opinião dos subscritores sobre os serviços streaming que subscrevem e (iv) interesse em assinar novas plataformas por meio de planos de assinaturas com anúncios.

O estudo revelou que a introdução de um plano com publicidade levaria a um aumento de 73% nas assinaturas de *streaming* entre a amostra. Além disso, uma em cada quatro das atuais subscrições na amostra seria alterada para um plano de subscrição com anúncios se este tivesse um desconto de pelo menos 50% do preço total.

Por fim, serão discutidas as principais conclusões do estudo, e identificadas potenciais limitações e outros futuros objetos de estudo.

Título: O Impacto da Publicidade em Plataformas SVOD no Mercado Português

Autor: Pedro Filipe Reis Campos

Palavras-chave: Plataformas SVOD, Comportamento dos subscritores, Mercado Português, Publicidade

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1. Introduction

Subscription video on-demand (SVOD) platforms have changed the manner in which global television audiences consume content (Rose, 2022). They have effectively reorganized the conventional media and entertainment sector while ushering in profound changes in how content is produced, consumed, and disseminated (Ellingsen, 2014).

Therefore, these new platforms have received an increasing amount of scholarly attention lately as they create new possibilities for global television audiences. Based to the existing academic research, rising media technologies are changing how individuals interact with television (Tefertiller, 2018). Since their inception, a significant number of SVOD's have been created and, today, the main worldwide media corporations offer high-quality on-demand streaming platforms available via a wide range of digital devices (Groshek & Krongard, 2016).

Despite increasing in popularity among a proportion of individuals opting for online streaming services rather than traditional media (PwC, 2021), it is an extremely competitive industry segment. Recent statistics show that SVOD has proliferated and, according to Cook (2022), there were more than 200 streaming providers worldwide in 2021. Major corporations like The Walt Disney Company, Comcast and Viacom are trying to adapt to the shift caused by new entrants in the industry such as Netflix and Amazon Prime Video. These companies continually develop their technologies and improve their service and content portfolio to provide customers with a wide selection of media in an effort to capture viewer interest (Tefertiller, 2018).

Despite the considerable attractiveness of these platforms for audiences, subscription growth rates have been slowing for some main players. For many years, Netflix was the main player in the market with approximately 222 million subscribers worldwide in 2021 (Netflix Inc., 2022). However, during first quarter of 2022, the company verified their first subscription decrease in 10 years. In an attempt to reverse this, Netflix and other market players such as Disney Plus announced intentions to bring commercials to their services by launching a new ad-based plan similar to those offered by other players (i.e., Hulu and in the music streaming market, Spotify).

This study will focus on the Portuguese SVOD market, which is characterized by the coexistence of SVOD services with pay TV and free-to-air TV channels. According to Grece (2021), the main SVOD providers in Portugal in 2020 were Netflix, with 47% of the total SVOD market share, followed by Apple TV+ (21%), and Amazon Prime Video (13%). Furthermore, SVOD platforms are often offered as an additional service by telecom operators (Grece, 2021), but they represented only 8% of subscribers in 2020 (ANACOM, 2022).

In an attempt to better understand the Portuguese SVOD market and highlight its future possibilities, this dissertation will measure the effects of the introduction of advertising in streaming platforms as a way to implement new subscription options that attract new subscribers and retain current users. This dissertation is guided by the following research question:

Research Question: How will adding advertising to SVOD platforms affect subscriber behavior in Portugal?

The dissertation is structured as follows: Chapter 1 will introduce the research subject of the dissertation and summarize the study rationale and the document structure. Then, Chapter 2 will present the evolution of streaming platforms and the global SVOD industry by pointing out its initial attractiveness for users and media companies and the recent barriers and challenges of this sector. This part will be followed by an analysis of Portuguese market, analysing its specificities. By relating these two subjects, the second chapter will conclude by discussing the introduction of advertising as a diversification method for revenue streams to promote alternative subscription modes for customers. The literature review will be followed by Chapter 3 where the methodology will be presented including the survey's composition and the target respondents. Chapter 4 will examine and discuss the findings obtained from the survey applied to the Portuguese market and will develop the dissertation's research question. Chapter 5 will identify the main findings of the report and explore potential limitations identified in this research project.

2. Literature Review

Over the last several years, media consumption has shifted dramatically. To have greater control over their media consumption, viewers are turning away from traditional broadcast channels and toward online platforms (Schweidel & Moe, 2016). Digital video recorders or on-demand content have gradually replaced the practice of traditional consumption where people watched episodes following the schedule and order in which the networks broadcast them (Kantar Media, 2016). Netflix played an important role in this paradigm shift which led to strong changes in distribution and viewer habits that comprise the technological period (Osur, 2016). Since then, numerous ways of online media consumption were created and, currently, the main global media companies have adapted their business models and distribution systems to these new platforms.

2.1 Netflix: From DVD rentals to global success

Netflix was founded in 1997 by Reed Hastings and Marc Randolph. During its early years, the company benefited from the introduction and rapid acceptance of DVD players as video playback technology changed the US media and entertainment business. By selling and renting DVDs by mail, Netflix entered the market as a differentiator with a service offering that stand out to the well-established main player Blockbuster. This DVD by mail business model allowed the company to have a more efficient structure with reduced costs as customers could choose three movies from a catalogue and have them delivered to their home in exchange for a monthly membership plan. As its primary approach, the company employed competitive differentiation in its operations, expanding their online business and services in many ways that set them apart from the competitors. This business strategy falls into what Michael Porter's (1985) differentiation strategy which occurs when an organization seeks to differentiate itself from rivals through the excellence of its products and/or services. According to Porter (1985), if product or service is unique, this strategy provides superior value and creates high customer loyalty.

Drawing upon its success, Netflix's business model quickly developed in 2007, when the firm started providing its consumers an innovative on-demand video streaming option. The transition to an internet streaming platform allowed Netflix to separate itself from the remaining market rivals by expanding its footprint and attracting new members. Netflix's new business model, according to Anindita (2021), might be deemed as a disruptive innovation in line with Christensen (1997). As a result of the deployment of cutting-edge technologies that enabled the business to establish an online subscription-based streaming platform, Netflix could serve customers more easily while fighting Blockbuster as an incumbent player in DVD rental industry. Furthermore, with the launch of an ad-free platform 'television' without a pre-defined weekly schedule or high-priced monthly cable television, Netflix disrupted the conventional paradigm of viewing television (Anindita, 2021).

Nonetheless, it drew new competitors in specific among technology and media businesses as they became significant rivals among on-demand streaming segment. Notwithstanding, Netflix carried a competitive edge over its rivals as it knew about their consumers' preferences, behaviours, and demographic information (Chatterjee et al., 2016). Due to their extensive know-how in users' behaviours and preferences due to their prior DVD business model, Netflix had a strong point of differentiation compared to the competition, leveraging its algorithms (Smith & Telang, 2018). This scenario aligns with the Resource-based view (RBV) from Barney (1991) which highlights the importance of an enterprises' internal characteristics to obtaining sustainable competitive advantage (SCA). The scholar defends that a company is composed of a "bundle of resources" and this resource heterogeneity is what differentiates companies from their competitors. Additionally, it supports that VRIN/VRIO attributes (internal characteristics that are: valuable, rare, inimitable, and non-substitutable/organization) are crucial aspects for an enterprise to obtain a sustainable competitive advantage (SCA).

Moreover, through this shift, Netflix successfully integrated and reconfigured its internal resources and capabilities to adapt, innovate to a new dynamic and rather uncertain ecosystem. As described by Teece et al. (1997) in Dynamic Capabilities theory, firms must recognize the value of knowledge management, organizational learning, and the implementation of routines and procedures that promote adaptation and flexibility. The theory suggests that businesses that have strong dynamic capabilities are more qualified to quickly adjust into market shifts, innovation, and to build sustainable competitive advantage (Barreto, 2010).

In fact, at that time, Netflix on-demand streaming (SVOD) platform was a pioneer in shaping what customers watched, using data from ratings on what customers liked and disliked or even for how long they watched a show. These insights were extremely useful to understand user preferences and then license content that is meaningful for subscribers (Ertemel, 2015). All these Netflix internal characteristics and attributes were crucial to obtain a sustainable competitive advantage and to deliver a service that provided a superior value for streaming subscribers.

Ultimately, all this know-how and internal characteristics led Netflix towards a successful strategic shift as the company's new on-demand streaming platform created value for consumers and perceived the service as useful and superior which aligns with Technology Acceptance Model (TAM) of Davis et al. (1989). This theory suggests that perceived utility and perceived ease of use are the two primary elements affecting users' adoption of a given technology. TAM posits these variables as having a direct impact on consumer perceptions of technology and, consequently, their behavioural intentions to embrace or use it. According to this framework, positive intentions and attitudes lead to adoption and usage (Davis et al., 1989; Lou & Li, 2017).

Additionally, only third-party licensed content from suppliers made up the entirety of Netflix's content library at that time. However, in 2013 the company made a step into the content production sector with production of their original contents with the production and release of "House of Cards" tv series (Putri & Paksi, 2021). The entry into content production market was crucial to Netflix's expansion because it ended the media production companies' bargaining power and allowed Netflix to greatly benefit from scale economies by distributing its produced content globally (Prince & Greenstein, 2018). Additionally, Prince & Greenstein (2018) suggests that providing content from TV channels was insufficient for a streaming service to gain and keep subscribers, and that providing original, distinctive content was essential as a complement.

As the company grew, the on-demand streaming (SVOD) market became even more attractive and new entrants from media and technology industries launched their SVOD services fighting for piece of streaming market share. Major media and entertainment corporations launched their on-demand streaming platforms with their vast catalogue of content and productions, for example The Walt Disney Company with Disney +, NBCUniversal with Peacock or WarnerMedia with HBO Max, among others. Furthermore, tech giants also expanded their business portfolio and entered the streaming world with the creaming of their own SVOD services like Amazon with Prime Video and Rakuten with Rakuten TV.

Despite being the leader among SVOD platforms for many years, during the first quarter of 2022, Netflix reported their first subscription decrease in 10 years and assumed their concerns on further decreases in the following periods supported by increased competition and password-sharing (Nicolaou, 2022).

Netflix and other market players, including Disney Plus, declared their plans to introduce ads to their services along with a new ad-based plan in an effort to buck falling subscriptions (Johnson & Janowski, 2022). Netflix's "Basic with Ads" membership was officially introduced in the beginning of November 2022 in 12 regions across the globe including Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, South Korea, Spain, the United Kingdom, and the United States of America. Users of this plan may stream Netflix in HD (up to 720p) and can expect up to 4 minutes of commercials (for every hour of content) before or during movies and television series. Due to licensing constraints, some movies and television shows are unavailable, and this plan does not contain download functionality (Netflix, n.d.). The price point of this subscription is lower than all current plans of the streaming service. In the US, the monthly fee is $6.99 per account and in Spain is €5.49/ month (McCluskey, 2022).

2.2 SVOD Industry Context

The SVOD industry has expanded over the past few years, as evidenced by market figures. Following the Market Outlook from the website Statista.com regarding the Subscription-based Video-on-Demand (SVOD) services, in 2021, the industry made 73,430 million US dollars in revenue which corresponded to 27.2% growth compared with the previous year. The revenues of the SVOD market are estimated to keep an upward trend and reach 139,200 million US dollars in 2027 (Statista, n.d.). Despite this continuous increase, revenue growth is expected to decelerate due to intensified competition and market saturation.

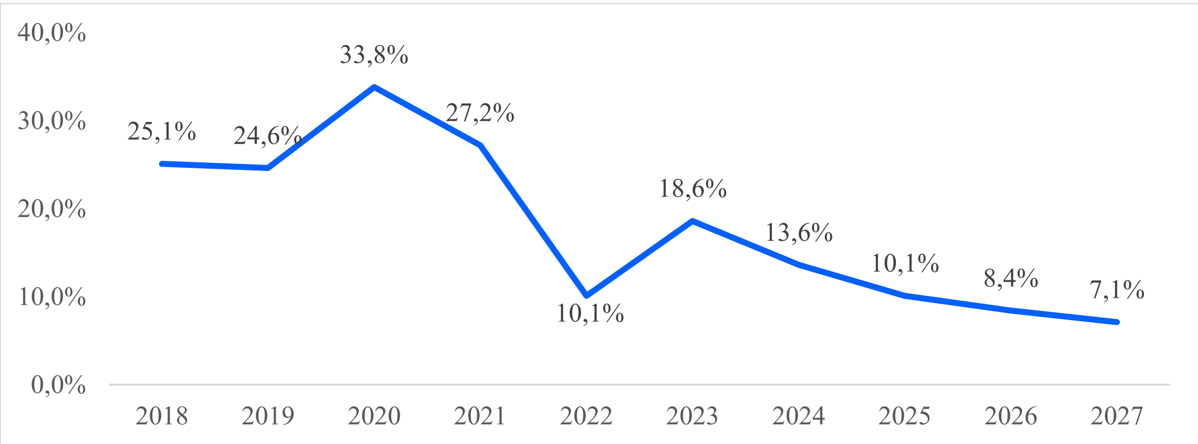

Figure 1 – Evolution of global revenue growth of the SVOD Market from 2018 to 2027 (in %).
Source: Own elaboration with data from Statista (n.d.).

Likewise, according to Market Outlook from Statista (n.d.), the number of active paying users of Subscription-VoD was 1,126.5 million in 2021 worldwide and will continue its upward tendency. The SVOD market is projected to reach 1,636 million subscriptions in 2027. Revenue per user in 2021 was 65.19 US dollars and in 2027 it is expected to be 85.06 US dollars (Statista, n.d.).

As SVOD's net revenues per subscriber are projected to increase, consumers are increasingly stacking their subscriptions (Easton, 2020), with the average of each streaming (SVOD) user paying for 1.5 subscriptions in 2020 (Statista, 2020). The United States presents the highest average number of subscriptions per user (2.2 SVOD accounts per user) followed by India (2.0). In European countries such the United Kingdom, France and Italy, the average stacking is slightly higher than the global average with a prediction of 1.6 subscriptions per streaming user, whereas in Germany the ratio remains at 1.5 in 2020.

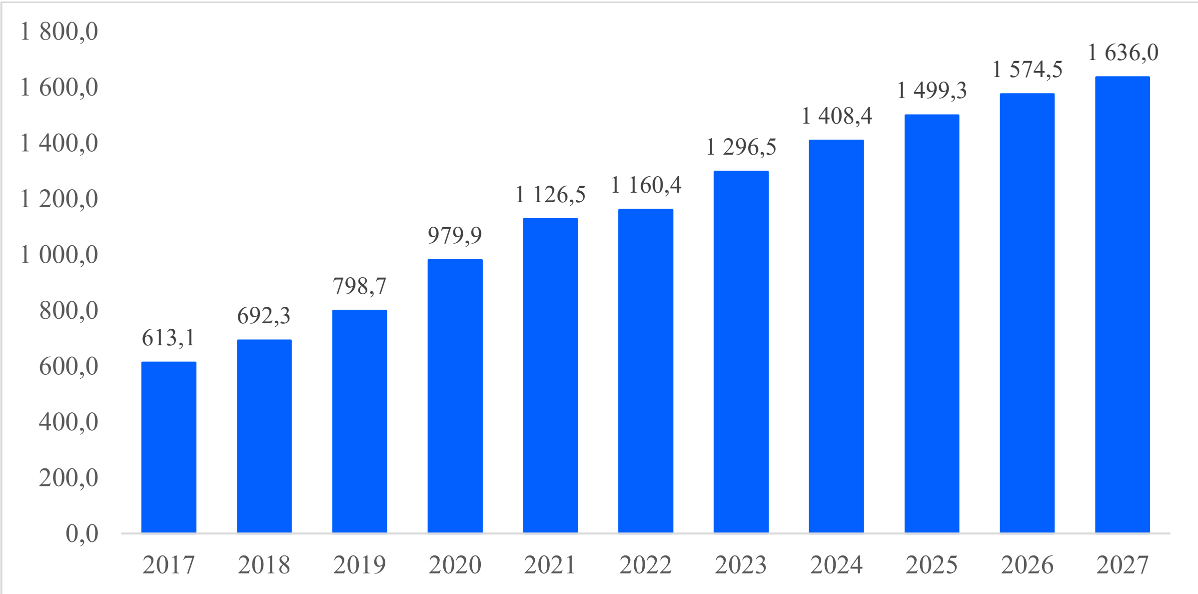

Figure 2 - Evolution of the Global number of users of the SVOD Market from 2017 to 2027 (in millions).

Source: Own elaboration with data from Statista (n.d.).

Regarding geographic outlook of the industry, most of the user revenue comes from the United States followed by China and the United Kingdom. SVOD services are utilized internationally in most nations, however, in certain developing regions, such as Africa and India, the degree of user penetration is still low (Rajala & Korhonen, 2020).

Despite more than 200 streaming providers worldwide in 2021 (Cook, 2022), Netflix is the streaming platform with the greatest notoriety and penetration, distinguishing itself from the others for being the pioneer of this industry as well as for its production and/or co-production and, consequently, for the availability of the content of multiple genres, formats and languages.

2.3 SVOD Industry in Portugal: Market Analysis

In Portugal, the SVOD's market size is still small when compared with the European and other global markets (Paisana et al., 2019). According to the Digital Market Outlook from Statista (n.d.-b), the Portuguese market was expected to reach € 52.3 million in revenues in 2022.

Despite not being well-positioned relative to the other European markets, the Portuguese SVOD market has several national and international players. In 2020, 14 SVOD providers were functioning in the Portuguese market (Grece, 2021). However, it is predicted that currently, this number is even bigger since new streaming platforms have started operations since then, as is the case of Portuguese terror and thriller streaming platform Film Twist in April 2022 and Paramount's service SkyShowtime in mid-October 2022. According to our research, 20 subscription video-on-demand platforms were identified as operating in Portugal (Table 1).

Table 1 – List of SVOD platforms operating in Portugal.

SVOD platforms available in Portugal		
- Amazon Prime Video	- Globoplay	- Opto SIC
- Apple TV+	- HBO Max	- Panda +
- AXN Now	- MEO Filmes e Séries	- Q Play
- Crunchyroll	- Mubi	- Rakuten TV
- Disney +	- Netflix	- SkyShowtime
- Film Twist	- Nick +	- Youtube Premium
- FilmIn	- NOS Play	

Source: Own elaboration with data retrieved online (Appendix 1 for further data).

Moreover, according to the latest update of the Streaming Platforms Barometer elaborated by Marktest, it is estimated that one in three Portuguese citizens (44.1% of the population) are users of at least one of the existing streaming services – an increase of 0.3 percentage points comparing with the previous quarter and 2.1 percent compared to the same period of the previous year (Marktest, 2022). Matos (2022) states that based on a study made by Just Watch (2022), Netflix is the streaming platform with the greatest reputation and penetration in

Portugal with a market share of 26% in Q2 2022, followed by Amazon Prime Video (22%) and Disney Plus (21%).

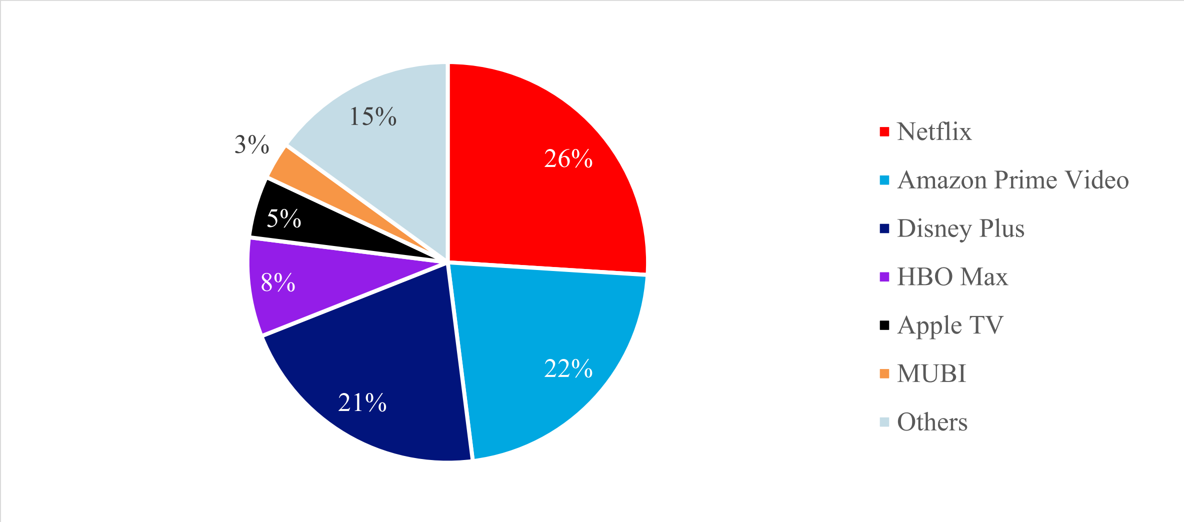

Figure 3 - SVOD market share during Q2 2022 in Portugal.

Source: Own elaboration with data from JustWatch.com (2022) in Matos (2022).

Interestingly, when analysing brand awareness among streaming platforms operating in the Portuguese market, Netflix continues to be most recognized, with 77.6% of responses, thus surpassing Disney Plus (56.5%), HBO Max (50.6%), Amazon Prime Video (50.4%) and NOS Play (47.1%) (Marktest, 2022).

The data from the ANACOM study regarding video streaming on demand reveal that the largest share of subscribers to streaming services was most used by younger individuals (from 16 to 34 years old), students, with higher education and with higher incomes (4th quartile), as is also the case in the EU27 average. The penetration of these services in Portugal was lower than the European average in all the sociodemographic groups considered, except for individuals aged between 25 and 34 (+2 percentage points above the EU27 average) (ANACOM, 2022).

Between 2018 and 2020, the use of video streaming on demand in Portugal grew at very high rates in all sociodemographic groups, especially among teenagers and young adults between 16 and 34 years old and students (increases of more than 30 percentage points among Internet users) (ANACOM, 2022).

Table 2 - Percentage of Internet users that used SVOD per income quartile, age group, level of education and working situation.

	EU27 *(in %)*	Portugal *(in %)*	Portugal vs. EU27 *(in p.p.)*	Var. 2018/2020 *(in p.p.)*
Income Quartiles				
1st Quartile	31	19	-12	+ 9
2nd Quartile	34	29	-5	+ 20
3rd Quartile	39	31	-8	+ 18
4th Quartile	46	44	-2	+ 25
Age Group				
16 to 24 years old	59	54	-5	+ 31
25 to 34 years old	53	55	+ 2	+ 34
35 to 44 years old	40	34	-6	+ 19
45 until 54 years old	33	27	-6	+ 19
55 until 64 years old	22	18	-4	+ 11
65 to 74 years old	14	10	-4	+ 7
Level of Education				
Lower Secondary Education	31	19	-12	9
Upper Secondary Education	34	29	-5	20
Tertiary Education	39	31	-8	18
Working Situation				
Employed	41	34	-7	20
Unemployed	33	29	-4	15
Student	60	56	-4	33
Retired or Inactive	20	14	-6	10

Source: Own elaboration with data from ANACOM (2022)

Moreover, the main SVOD players in Portugal are associated with pay-TV operators as part of their TV services bundles (i.e. NOS offered Disney Plus and Vodafone includes HBO Max and Amazon Prime on their bundles when subscribing to their pay-TV services) (ANACOM, 2023). This strategy is beneficial for both entities as, on one hand, it allows operators to offer more complete TV bundles for their customers, and enables SVODs to obtain higher market penetration as they gain new subscribers due to the bundling effect. In reality, collaborations between SVOD providers and TV and telecom companies support long-held theories about how old and new media converge. Old media forms are not replaced by new ones; rather, established and emergent activities constantly negotiate the relationship between the two (Wayne & Castro, 2021).

Despite the positive evolution observed to date, Markest's Streaming Platforms Barometer predicts that the intention to subscribe to streaming services in the next three months is following a downward trend for the first time, falling 1.2 percentage points, from 9.8% (Q1 2022) to 8.6% (Q2 2022) (Marktest, 2022).

2.4 Advertising in SVOD platforms and its opportunities

To prevent subscriptions revenues dropping further and to stem falling subscriptions, some of the main SVOD players (such as Netflix and Disney) have announced their intention to introduce new subscription plans with commercials (Grimes, 2022; Nicolaou, 2022). Despite being a timely topic, little research has been conducted to understand the impacts and effects of advertising on online streaming platforms (Frade et al., 2021). Looking into the existing academic literature, scholars primarily focus on studying advertising in streaming platforms to understand user reactions when exposed to commercials. Logan (2013) concluded that consumers evaluate online streaming TV advertising differently than they respond to linear TV ads, as users have different expectations for distinct media channels. Moreover, Schweidel & Moe (2016) sought to understand how users respond to advertisements and how advertising affects subsequent viewing. The findings suggest that users are more responsive to advertising early in their viewing sessions.

Furthermore, a study conducted by Nielsen IAG presented by Elberse & Gupta (2009) tried to compare the effectiveness of advertising spots in video-on-demand services and Free-to-air and PayTV linear channels. The research was based on a sample of 840,683 individuals for linear TV and 2,702 individuals for Hulu – an American SVOD platform with an ad-supported plan – and aimed to measure the effectiveness of advertising across various dimensions: general recall, brand recall, message recall and likeability (Table 3). According to this research, advertising via Hulu's streaming platform was more effective than advertising on traditional linear TV channels (Elberse & Gupta, 2009).

Table 3 - Advertising effectiveness of Linear TV versus Hulu streaming platform.

	General Recall	Brand Recall	Message Recall	Likeability
Linear TV	45%	27%	21%	14%
Hulu	66%	52%	41%	27%

Source: Own elaboration with data from a study elaborated by Nielsen IAG retrieved from Elberse & Gupta (2009).

2.5 SVOD with Ads: The Hulu Case

Hulu is an online subscription-based video streaming service with content that is internally produced, contracted, or licensed from third-party production companies. The service was established in 2007 by a partnership between NBC Universal and News Corporation, along with Providence Equity Partners (Artero, 2010). Since then, the SVOD platform has changed ownership several times but from 2019, The Walt Disney Company has been the main shareholder (Snider, 2019) with 67% ownership of the streaming service and total operational control. The remaining 33% of Hulu are owned by NBC Universal (The Walt Disney Company, 2022).

Currently, the platform is only available in the US and Japan, where the major contribution to revenue comes from the US, as it has always been a regional service. According to Hulu's Press website, as of November 2022, the projected amount of active Hulu subscribers, based on annual reports, was circa 47.2 million. Regarding programming, the service has more than seventy-five thousand episodic programs on-demand across 1,700 titles. Additionally, certain content from the TV networks ABC, Freeform and FX are available on the SVOD service after being aired on TV channels.

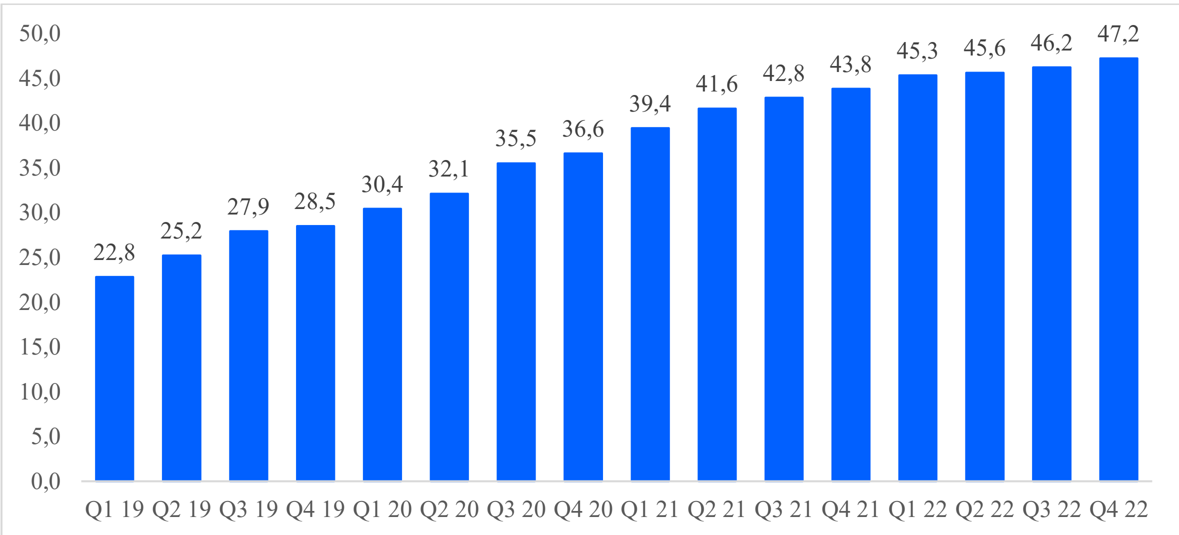

Figure 4 - Evolution of the number of Hulu's paying subscribers (in millions).

Source: Own elaboration with data from Statista (2022).

Hulu's main revenue streams comes from two distinct sources: membership fees and advertising sales. The streaming service offers two different membership plans with either limited commercial announcements or with no advertising. Besides these two subscription options, the platform also allows users to subscribe via a bundle option which includes their partners' services: Disney Plus and ESPN Plus. Furthermore, offers a digital Live TV option that can be added to either of the SVOD membership plans. This Live TV service offers the possibility to have broadcasts of many cable networks.

In addition, Hulu allows its users to integrate several add-ons of other SVOD premium services such as HBO Max, Cinemax, STARZ and SHOWTIME into their subscriptions.

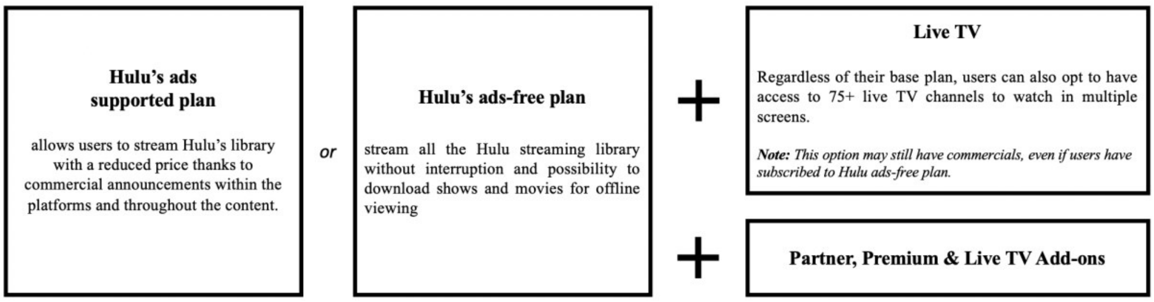

Figure 5 - Illustration of Hulu's subscription plans and Add-ons.

Source: Own elaboration with data from Hulu Help (2022) (Appendix 2 for further data).

Even though Hulu offers ad-free plans, 70% of its users subscribe the service via an ad-supported plan (Reyes, 2019). According to James Muldrow, vice-president of product management at Comscore, this trend will continue as '*consumers are being more mindful*' (Glenday, 2022) regarding their budgets.

To present attractive solutions for businesses and to not compromise users' streaming experience, Hulu introduced several advertising solutions not only during the content but also throughout the platform when users are navigating. Here are some examples of advertising possibilities on the app:

- **Branded Entertainment Selector (BES) Ads**

  Branded Entertainment Selector allows users to choose ads length and commercials frequency while watching. For instance, users can choose between long-form commercials and short commercials breaks throughout the content (Bhattacharya, 2021).

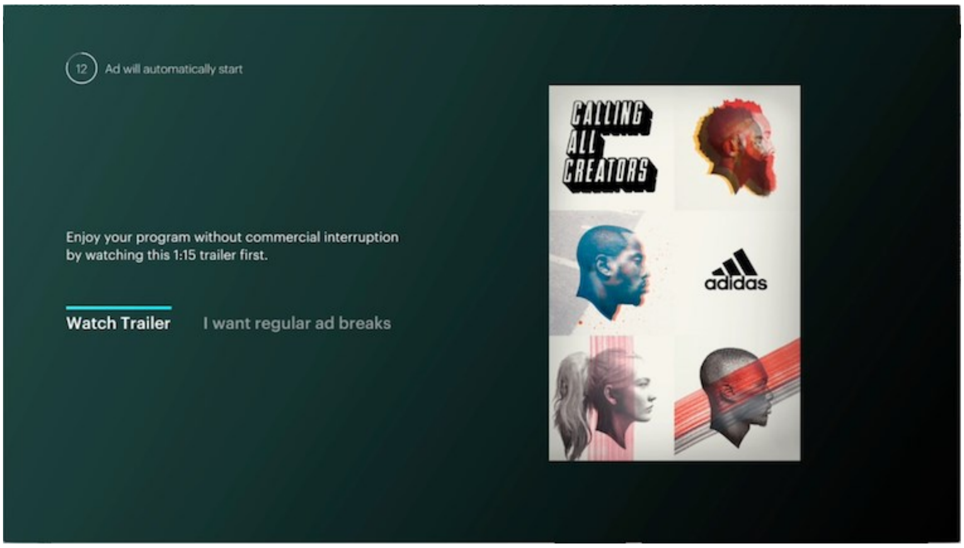

Figure 6 - Example of a Branded Entertainment Selector Ad on Hulu.

Note. From *Hulu Advertising 101: A Guide to Running Streaming TV Ads* by Bhattacharya, 2021 (https://www.singlegrain.com/advertising/hulu-advertising-101/)

- **Ad Selector**

Ad selector allows the advertiser to offer Hulu's users multiple commercial possibilities. The viewer can choose any one of the options. According to the viewer' selection, video ads will play throughout the entire show (Bhattacharya, 2021).

Therefore, users can choose advertising under this option based on their areas of interest, offering advertisers the best chance to provide pertinent branding (Bhattacharya, 2021).

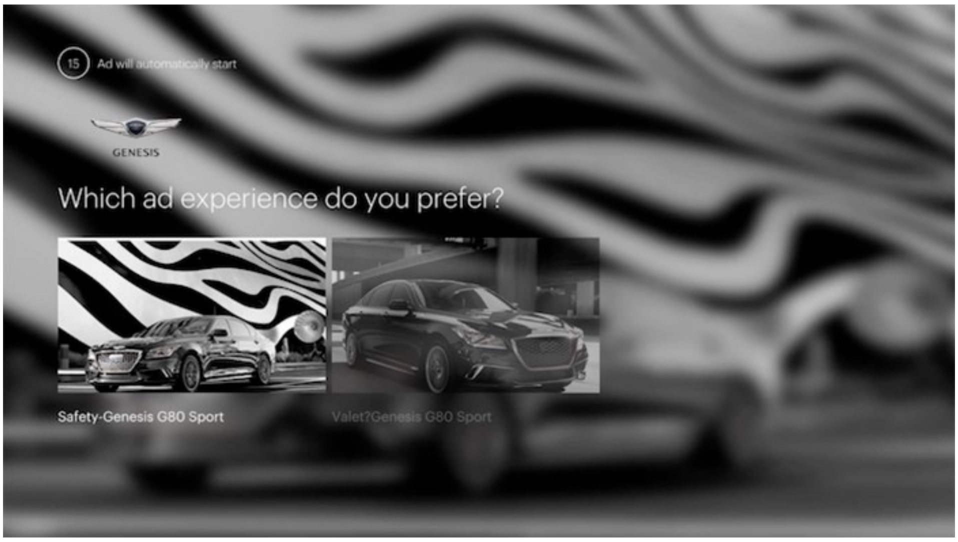

Figure 7 - Example of an Ad Selector on Hulu.

Note. From *Hulu Advertising 101: A Guide to Running Streaming TV Ads* by Bhattacharya, 2021 (https://www.singlegrain.com/advertising/hulu-advertising-101/)

- **Pause Ads**

When a consumer uses the pause button while watching video, pause adverts are shown. It provides a user-initiated ad experience that is not invasive and do not compromise the viewing experience (Bhattacharya, 2021).

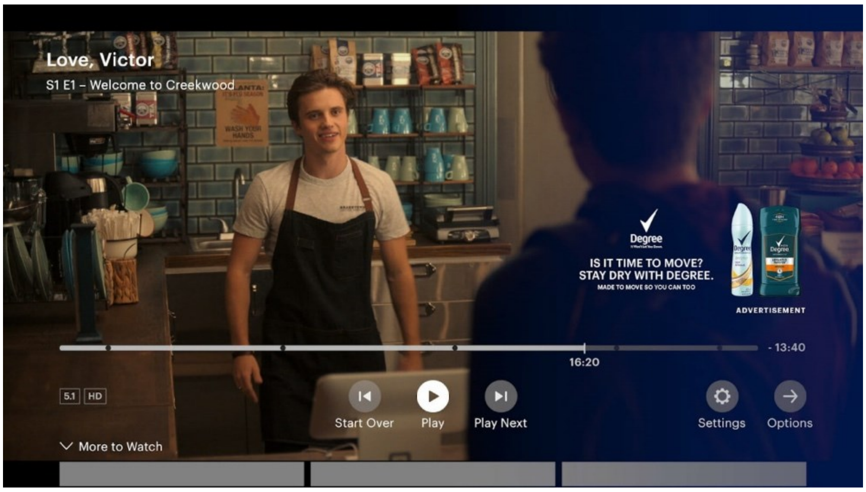

Figure 8 - Example of a Pause Ad on Hulu.

Note. From *Hulu Advertising 101: A Guide to Running Streaming TV Ads* by Bhattacharya, 2021 (https://www.singlegrain.com/advertising/hulu-advertising-101/)

- **Sponsored Collection Brand Placement Ads**

Sponsored collection brand placement enables marketers to position a brand logo in Hulu's user interfaces next to a specific content, genre, or group of episodes (Bhattacharya, 2021).

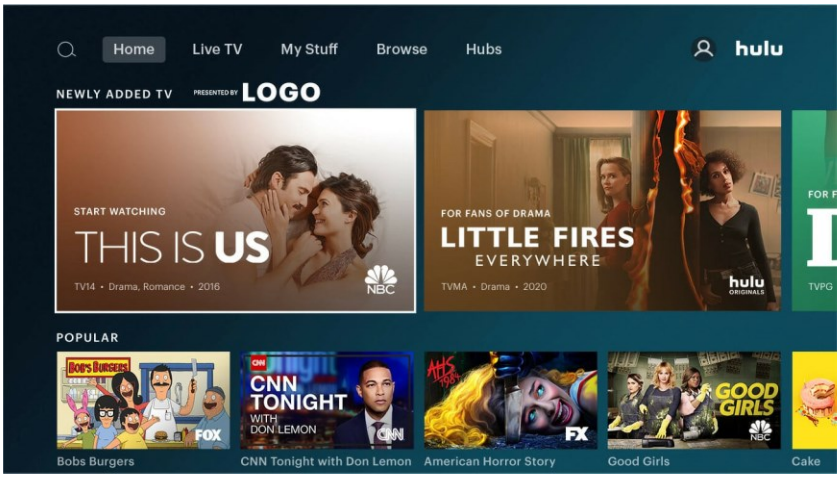

Figure 9 - Example of a Sponsored Collection Brand Placement Ad on Hulu.

Note. From *Hulu Advertising 101: A Guide to Running Streaming TV Ads* by Bhattacharya, 2021 (https://www.singlegrain.com/advertising/hulu-advertising-101/)

In fact, the introduction of advertising might be an attractive solution for the video on demand services to diversify revenue streams, since, according to a study from Kantar (2021), the top four ad-supported video-on-demand (AVOD) platforms in the United States of America created $3.5 billion in advertising revenue in the 12 months to September 2021. Hulu benefited most from Ad spending, accounting for $2.1 billion of the $3.5 billion (Kantar, 2021).

3. Methodology

Saunders et al. (2009) list three potential study trajectories: exploratory, descriptive, and explanatory research. Exploratory research is carried out when there has been inadequate study of a subject and more information is required. This can be accomplished using qualitative research methods including reading already published material, organizing focus group discussions, or interviewing professionals on the specific subject. The objective is to learn additional information about the subject.

When a subject has been fully investigated but causal connections between the variables still need to be identified, an explanatory technique is used. Semi-structured or structured interviews can be used to fully evaluate the connections that emerged from the descriptive study. The study of cause-and-effect relationships may also be done through experiments and simulations. Data gathering allows for the validation of hypotheses (Saunders et al., 2009).

With regards to descriptive research methodology, numerical data can be gathered to create a more comprehensive analysis of an event. Surveys and questionnaires are commonly employed to collect primary data (Saunders et al., 2009).

Even though media and entertainment consumption trends and the motivations for the transition to SVOD platforms are timely topics, there is no significant research on how the introduction of advertising and new subscription options can impact subscription behaviour of users, in particularly in the Portuguese market. This dissertation follows a quantitative research method to evaluate the impacts of the introduction of adverting and, consequently, the existence of ad-supported memberships on the subscription behaviour of a SVOD platform. By interpreting the information gathered in the Literature Review, the author created a survey and with the analysis of the data collected in the survey, the research question will be addressed.

3.1. Study Design

This research corresponds to an observational, descriptive, and cross-sectional study with a focus on a quantitative approach. Moreover, it follows a descriptive method because it aims to know the characteristics of a given population/phenomenon. The researcher's concern was identifying homogeneous characteristics of a phenomenon using systematic criteria. It sought to describe the phenomenon from observation, and not manipulating variables (Fortin, 2009; Vilelas, 2017).

Given the absence of intervention by the observer, the study is also considered observational (Vilelas, 2017). In terms of temporal categorization, the study fits into the cross-sectional study category since it is applied to a population at a certain period.

3.2. Sampling and Population

According to Fortin (2009), the target population corresponds to the set of individuals who fulfil the study's selection criteria.

As indicated previously in the Literature Review, SVOD services are more prevalent among a younger generation in the Portuguese market. As a result, the following inclusion criteria were established for the selection of participants: Portuguese individuals of both genders with ages from 16 to 34 years old.

3.3. Data Collection

To achieve the research aims, a questionnaire was designed. The questionnaire, or survey, is a data gathering tool that enables collection of quantitative information in a flexible, quick, and uninhibited manner (Van Selm & Jankowski, 2006). This data collecting tool was designed expressly for this study and is used online.

The questionnaire was created with the Qualtrics platform and shared on social media websites like Facebook, Instagram, LinkedIn, and WhatsApp in addition to being distributed primarily via email. Even though the respondents were all Portuguese citizens, the survey was written both in Portuguese and in English.

It was composed by four main parts: socio-demographic information, identification of current SVOD's subscription behaviour, consumer opinion regarding the streaming services they subscribe to (namely in what regards the following dimensions: variety of content, quality of content, recommendations of new content, easy-to-navigate platforms, app/platform functionalities and price) and interest in subscribing to new platforms through ad-supported subscription plans.

The content of the questionnaire was based on all the bibliographical research carried out during the Literature Research, with the streaming (SVOD) subscription evaluation criteria presented during the questionnaire being fundamentally influenced by the contributions of authors Chung

& Zhang (2020), Shin & Park (2021) and Periaiya & Nandukrishna (2023). In Appendix C, the survey's script can be found.

For this research, we employed snowball sampling to gather respondents and identify people who subscribe to any Portuguese SVOD service and were engaged in subscription decision-making.

The pre-test phase was developed in order to identify problematic and/or unclear parts and determine whether or not respondents are interpreting questions correctly. This preliminary stage occurred from January 8th to January 10th 2023 with 6 respondents. After this, questionnaire was available from January 12th to January 21st 2023.

To screen out ineligible respondents, the following demographic questions were added at the start of the questionnaire:

- How old are you? (open numeric question)
- Nationality (list of countries)
- Do you live in Portugal (Yes/No)

Of a total of 487 responses, 332 were considered valid for the purpose of this study. The responses that were not included did not meet the criteria for the sample, either because the respondent was not from Portugal, did not reside in Portugal, or did not fall within the age range specified for the study. The current research project included 332 participants of both genders, with an age range of 16 to 34 years (average of 22.5, standard deviation of 5.98). The majority of the sample were female individuals (78.6%) and students (59,9%) were the most popular among the sample, followed by employed individuals (31.3%). The sociodemographic and professional characteristics of the sample can be seen in Table 4.

Table 4 - Respondent's sociodemographic and professional characteristics.

	Frequency (#)	Percentage (%)
Age Group		
16 - 19 years old	163	49.1%
20 - 24 years old	61	18.4%
25 - 29 years old	34	10.2%
30 - 34 years old	74	22.3%
Gender		
Female	261	78.6%
Male	69	20.8%
Prefer not to say	2	0.6%
Working Situation/ Occupation		
Employed	104	31.3%
Student	199	59.9%
Unemployed	8	2.4%
Working Student	21	6.3%
Retired	0	0.0%

Source: Own elaboration based on the analysis of the questionnaire' results.

3.4. Data Storage and Analysis

This study fits into a quantitative paradigm, so we used the IBM® Statistical Package for the Social Sciences (SPSS®) statistical software, version 28, for data storage and analysis. The data was stored after coding the questionnaires and inserting each one of the answers.

For data analysis, we used descriptive statistics to describe the variables and inferential statistics to study their relationships. In the descriptive analysis, we resorted to the presentation of absolute and relative frequencies, measures of central tendency, i.e. the mean and median, and measures of dispersion through the standard deviation. Furthermore, in the inferential analysis, we used the study of the association or correlation between variables (Pearson's correlation coefficient), tests of differences in means (Student's T test) and experiments to assess the disparities between categorical variables (Chi-square goodness to fit test).

3.5. Ethical Considerations

Participants were provided with all information related to the study (in particular, the purpose of the study, guarantee of secrecy, anonymization of data and the possibility of withdrawing from the study at any time). At the same time, confidentiality regarding the data provided was guaranteed and any type of information that may lead to the identification of participants was excluded in any type of report or publication that may be produced. Thus, the data was kept by the researcher during the period of the investigation and later destroyed.

4. Data Analysis and Discussion

4.1. Descriptive Data Analysis

Of the total number of respondents, 58.4% had at least one active subscription in a SVOD service whereas 41.6% of the sample does not subscribe to any streaming (SVOD) platform (Table 5).

Table 5 - Respondent's subscription behaviour in streaming (SVOD) platforms.

Is the respondent a streaming (SVOD) subscriber?	Frequency (#)	Percentage (%)
Yes	194	58.4%
No	138	41.6%
	332	**100.0%**

Source: Own elaboration based on the analysis of the questionnaire' results.

Of the respondents who were subscribers of streaming (SVOD) platforms, most were female (73.2%) and students (50.5%) were also prevalent in the sample, followed by employed individuals (38.1%). In terms of age groups, according to the sample, the largest proportion of SVOD active users were from ages between 16 and 19 years old (38,1%) followed by individuals with ages between 30 and 34 years old (26.3%) The sociodemographic and professional characteristics of this group of respondents can be found in Table 6.

Table 6 - Sociodemographic and professional characteristics of respondents with at least one SVOD subscription.

	Frequency (#)	Percentage (%)
Age Group		
16 - 19 years old	74	38.1%
20 - 24 years old	41	21.1%
25 - 29 years old	28	14.4%
30 - 34 years old	51	26.3%
Gender		
Female	142	73.2%
Male	51	26.3%
Prefer not to say	1	0.5%
Working Situation/ Occupation		
Employed	74	38.1%
Student	98	50.5%
Unemployed	7	3.6%
Working Student	15	7.7%
Retired	0	0.0%

Source: Own elaboration based on the analysis of the questionnaire' results.

Akin to what was observed with SVOD users, the majority of respondents who did not have an active streaming (SVOD) subscription were female (86.2%) and aged between 16 and 19 years old (64.5%). Within this participant group, those between the ages of 30 and 34 (16.7%) represented the second most important age range. Furthermore, according to the sample, students made up the greatest share (73.2%), followed by employed people (21.7%). The sociodemographic and occupational details of this group of respondents are shown in Table 7.

Table 7 - Sociodemographic and professional characteristics of respondents with any SVOD subscription.

	Frequency (#)	**Percentage (%)**
Age Group		
16 - 19 years old	89	64.5%
20 - 24 years old	20	14.5%
25 - 29 years old	6	4.3%
30 - 34 years old	23	16.7%
Gender		
Female	119	86.2%
Male	18	13.0%
Prefer not to say	1	0.7%
Working Situation/ Occupation		
Employed	30	21.7%
Student	101	73.2%
Unemployed	1	0.7%
Working Student	6	4.3%
Retired	0	0.0%

Source: Own elaboration based on the analysis of the questionnaire' results.

Despite the apparent sociodemographic similarities between SVOD users and non-users, some statistical tests prove some notorious differences between these individuals.

Based on a t-test, it was possible to understand that there is a significant difference in terms of ages of individuals with SVOD services ($M = 23.70$; $SD = 5.99$) from those who do not have any active streaming subscription ($M = 20.91$, $SD = 5.60$); (df) = 330, $p < 0.001$.

Moreover, with regard to gender, despite women existing in higher percentages in both research groups, it was possible to understand that male individuals are keener to subscribe streaming platforms. As can be seen by the frequencies cross tabulated in Table 8, there is a significant relationship between gender and SVOD usage, X^2 (1, N = 330) = 8.55, $p < .001$. According to the sample, 73.9% of male respondents had at least one SVOD service, whereas only 54.4% of female respondents were active users of streaming platforms.

Table 8 - SVOD and non-SVOD users by Gender.

	SVOD users	**SVOD's non-users**	**Total**
Male	51	18	69
Female	142	119	261
Total	**193**	**137**	**330[1]**

Source: Own elaboration based on the analysis of the questionnaire' results.

In terms of occupation, it was necessary to regroup answers to gain statistically significance (n > 30). Hence, two occupation status were established: with active paid work which includes employed and working students' respondents; and without active paid work which includes unemployed, students and retired individuals. Subsequently, a chi-square analysis was conducted based on the survey data in the next phase. The relation between these variables was significant, X^2 (1, N = 332) = 13.45, $p < .001$. Individuals with no active paid occupation are less likely to subscribe to a streaming (SVOD) service than active workers as only 50.7% of without active paid work respondents were SVOD subscribers, while 71,2% of respondents with paid occupation had at least one ongoing subscription (Table 9).

Table 9 - SVOD and non-SVOD users by Occupation.

	SVOD users	**SVOD's non-users**	**Total**
With active paid work	89 (71.2%)	36 (28.8%)	125 (100%)
Without active paid work	105 (50.7%)	102 (49.3%)	207 (100%)
Total	**194**	**138**	**332**

Source: Own elaboration based on the analysis of the questionnaire' results.

Looking at respondents who had at least one active streaming (SVOD) service, a total of 389 memberships across the various providers were found within the sample, indicating that each user had an average of 2.01 subscriptions. While 39.7% of respondents have only signed up for one SVOD platform, only 9.3% of respondents have subscriptions to 4 or more streaming services (Table 10).

[1] 'Prefer not to say' answers were not considered in this analysis.

According to the sample, Netflix is the most used SVOD platform with 42.4% of subscriptions, followed by HBO Max with 21.6% and Disney + with 16.5% of total number of subscriptions.

Table 10 - Respondent's subscription behaviour in streaming (SVOD) platforms.

	Frequency (#)	**Percentage (%)**
How many SVOD platforms is the respondent subscribed to?		
1	77	39.7%
2	61	31.4%
3	38	19.6%
4	14	7.2%
5 or more	4	2.1%
	194	**100.0%**
Which SVOD platforms is the respondent subscribed to?		
Amazon Prime Video	51	13.1%
Apple TV+	8	2.1%
Disney +	64	16.5%
FilmIn	4	1.0%
Globoplay	0	0.0%
HBO Max	84	21.6%
Mubi	0	0.0%
Netflix	165	42.4%
OPTO	1	0.3%
Skyshowtime	5	1.3%
Others*	7	1.8%
	389	**100.0%**

***Others:** Rakuten (1), Youtube Premium (2), Crunchyroll (1), Tidal (1) and Spotify Premium (2).

Source: Own elaboration based on the analysis of the questionnaire' results.

Furthermore, Pearson correlation tests were performed in a sense to understand which variables might explain the number of SVOD subscriptions. According to the questionnaire results, it is a moderate positive relationship between age (r = 0.228, $p < .001$) and occupation status (r = 0.204, $p < .001$) with the number of services subscribed.

Table 11 - Descriptive of Pearson correlation tests.

Variables	N	Pearson Correlation	Sig. (2-tailed)
Age	332	0.228	< 0.001
Occupation*	332	0.204	< 0.001

Source: Own elaboration based on the analysis of the questionnaire' results.

As described in Table 12, 32.0% of the streaming (SVOD) subscribers in this sample had at least one their memberships included in their TV/Telecom package, with only 15.2% of them paying an extra for the subscription. HBO Max was the most mentioned service with 45.6% of subscriptions through TV/Telecom bundles (with 50.0% of total subscriptions of the sample coming from this partnership between HBO and TV/Telecom operators[2]) followed by Amazon Prime Video[3] (34.8%).

Table 12 - Respondent's subscription behaviour in streaming (SVOD) platforms via TV/Telecom bundles.

	Frequency (#)	Percentage (%)
Is the SVoD subscription part of a TV/Telecom bundle?		
Yes	62	32.0%
No	132	68.0%
	194	**100.0%**
Is the SVoD included in the TV/Telecom bundle price? If so, which?		
Amazon Prime Video	32	34.8%
Disney +	1	1.1%
HBO Max	42	45.7%
Netflix	3	3.3%
No, the respondent pays an extra for the service	14	15.2%
	92	**100.0%**

Source: Own elaboration based on the analysis of the questionnaire' results.

Looking into the total memberships across the various SVOD providers within the sample, respondents were asked to assess their satisfaction level in a 5-level Likert scale regarding 6 parameters: content variety; quality of content; recommendations of new content; easy-to-

[2] 42 of the 84 total respondents of the sample (50.0%) that mentioned being subscribers of HBO Max have their subscription included in their TV/Telecom bundles.
[3] 32 of the 51 total respondents of the sample (62.7%) that mentioned being subscribers of Amazon Prime Video have their subscription included in their TV/Telecom bundles.

navigate platform; app/platform functionalities and price. According to the sample (n > 30), Netflix was the platform with the highest punctuation followed by Disney + (Table 13).

Table 13 - Respondents' assessment of SVOD's service (n > 30).

Platform	N	Satisfaction Level	
		Mean	Std. Deviation
Amazon Prime Video	51	21.57	3.40
Disney +	64	23.89	3.80
HBO Max	84	22.49	3.99
Netflix	165	24.13	3.44

Source: Own elaboration based on the analysis of the questionnaire' results.

When respondents with at least one active subscription in a streaming (SVOD) service were faced with the possibility of changing their full paid membership for an ad-supported plan with a reduced price, only 26.7% of the active subscriptions we reflected to be shifted. Among all the SVOD providers (with n > 30), Disney+ was the platform with more users interested in 'downgrading' their subscription method (32.8%) (Table 14).

Table 14 - Respondent's interest in switching a current subscription to an ad-supported plan.

Platform	#	Interest in switching to an Ad-supported membership	
		Yes	No
Amazon Prime Video	51	15.7%	84.3%
Apple TV+	8	37.5%	62.5%
Disney +	64	32.8%	67.2%
FilmIn	4	25.0%	75.0%
Globoplay	0	*NS*	*NS*
HBO Max	84	25.0%	75.0%
Mubi	0	*NS*	*NS*
Netflix	165	27.3%	72.7%
OPTO	1	100.0%	0.0%
Skyshowtime	5	40.0%	60.0%
All Platforms	**382**	**26.7%**	**73.3%**

NS – Not Selected

Source: Own elaboration based on the analysis of the questionnaire' results.

Moreover, Table 15 displays respondent perceptions on how much the ad-supported plan should be discounted to be attractive when compared with the membership plan without commercials. According to the sample, 62.1% indicated that the ad-supported plan should be priced at least 50% below of the monthly membership price of a ads-free plan.

Table 15 - Price reduction needed (in %) of current monthly plan to be attractive for active users to downgrade to an ad-tier plan.

Platform	#	Price reduction (in %) to Ad-tier plan becomes attractive			
		[0 - 25%[	[25% - 50%[	[50% - 75%[	[75% - 100%]
Amazon Prime Video	8	0.0%	37.5%	25.0%	37.5%
Apple TV+	3	0.0%	33.3%	66.7%	0.0%
Disney +	21	4.8%	14.3%	61.9%	19.0%
FilmIn	1	0.0%	0.0%	100.0%	0.0%
Globoplay	0	NS	NS	NS	NS
HBO Max	21	0.0%	33.3%	42.9%	23.8%
Mubi	0	NS	NS	NS	NS
Netflix	45	2.2%	26.7%	42.2%	28.9%
OPTO	1	0.0%	0.0%	0.0%	100.0%
Skyshowtime	2	0.0%	0.0%	0.0%	100.0%
All Platforms		**6.1%**	**31.8%**	**51.5%**	**10.6%**

NS – Not selected.

Source: Own elaboration based on the analysis of the questionnaire' results.

4.1.1. Ad-supported subscription plan with a reduced price

Table 16 shows cross-tabulated interest levels regarding subscribing to new platforms through an ad-supported subscription plan at a discounted price. The proportion of participants who were interested in signing up for new SVOD providers via an add-supported membership pack does not differ if they currently have a subscription to any other SVOD service or not, $X^2(1, N = 332) = 0.38, p > .05$. Of the respondents that already subscribe at least one streaming (SVOD) service, 46.9% of them would be interested in subscribing more platforms through this subscription plan, whereas only 43.5% of the questionnaire' population that do not subscribe any streaming (SVOD) service would be willing to subscribe through this membership alternative.

Table 16 - Respondents' willingness to subscribe a new streaming (SVOD) platform with an Ad-supported plan.

Ad-supported plan (with commercials) with a reduced price	**Interested**	**Not Interested**
Respondents that already subscribe at least one SVOD service	46.9%	53.1%
Respondents that do not subscribe any SVOD service	43.5%	56.5%

Source: Own elaboration based on the analysis of the questionnaire' results.

Likewise, it was possible to understand that there is no significant difference in terms of the number of additional subscriptions via a membership plan with commercials between current streaming users (M = 1.71; SD = 0.81) from those who do not have any active streaming subscription (M = 1.78, SD = 0.89); (df) = 148, p = 0.643.

Despite this, if users of SVOD services were faced with the opportunity to subscribe to streaming platforms with a reduced-price plan with commercials, 157 new subscriptions would be created through this membership option. Disney + would be the service gaining more users from this sample (30.6% of new subscriptions through commercial-supported membership) followed by HBO Max (22.3%) and Amazon Prime Video (17.2%) (Table 17) with the biggest proportion of new subscriptions coming from younger ages groups and students (Appendix D).

Table 17 - New SVOD platforms that SVOD users would be willing with an Ad-supported plan.

Which other SVOD platforms would the respondent be interested subscribing?		
Amazon Prime Video	27	17.2%
Apple TV+	12	7.6%
Disney +	48	30.6%
FilmIn	1	0.6%
Globoplay	3	1.9%
HBO Max	35	22.3%
Mubi	1	0.6%
Netflix	21	13.4%
OPTO	2	1.3%
Skyshowtime	6	3.8%
Others*	1	0.6%
	157	**100.0%**

***Others:** Crunchyroll (1).
Note: Sociodemographic and professional characteristics of this respondents can be found in Appendix D.
Source: Own elaboration based on the analysis of the questionnaire' results.

Additionally, 127 new subscriptions would result from non-streaming users via an ad-supported membership plan. Contrarily to what was observed with SVOD users, Netflix would be the service that gained the most subscribers (37.0% of new subscriptions through commercial-supported membership), followed by Disney + (20.5%) and HBO Max (18.9%) (Table 18). As it was observed with active streaming users' group, the majority of new subscribers were younger age groups and students (Appendix E).

Table 18 - New SVoD platforms that non-SVOD users would be willing with an Ad-supported plan.

Which other SVOD platforms would the respondent be interested subscribing?		
Amazon Prime Video	9	7.1%
Apple TV+	11	8.7%
Disney +	26	20.5%
FilmIn	0	0.0%
Globoplay	1	0.8%
HBO Max	24	18.9%
Mubi	0	0.0%
Netflix	47	37.0%
OPTO	3	2.4%
Skyshowtime	3	2.4%
Others*	3	2.4%
	127	**100.0%**

***Others:** Spotify Premium (2) & Hulu (1).
Note: Sociodemographic and professional characteristics of this respondents can be found in Appendix E.

Source: Own elaboration based on the analysis of the questionnaire' results.

Additionally, Table 19 depicts respondents' maximum mean tolerance for advertising (per hour of content) for both active and non-active streaming (SVOD) users. Despite the mean for commercials being higher for those who already subscribe to a streaming service (M = 214.7, SD = 187.6) than for those who are not subscribers (M = 199.8, SD = 183.9), the t-test demonstrated that there is no statistically significant difference between those two groups ($t[127] = -0.45$, $p = .656$).

Table 19 - Mean of Respondent's maximum adv. time (in seconds) per hour of content in an ad-tier plan.

	Ad-supported Plan	
	M	**SD**
Respondents that already subscribe at least one SVOD service	214.7	187.6
Respondents that do not subscribe any SVOD service	199.8	183.9

Source: Own elaboration based on the analysis of the questionnaire' results.

4.1.2. Free subscription plan with limited content library with commercials

In relation to the free subscription plan with a limited content library and with commercials, a cross tabulated interest level among current and non-current users of streaming platforms can be seen in Table 20. Based on the questionnaire output, 65.2% of respondents that do not subscribe at least one streaming (SVOD) service would be interested in subscribing additional platforms with this option whereas the level of interest in this subscription plan decreases to 58.8% when looking into active SVOD users. Despite this slight numerical difference in percentual points, the performed chi-square test suggests there is no relationship between interest level between active SVOD subscribers and non-streaming users, $X^2(1, N = 332) = 1.42, p = .234$.

Table 20 - Respondent's willingness to subscribe a new streaming (SVOD) platform with a free plan.

Free subscription plan with commercials and less content		
	Interested	**Not Interested**
Respondents that already subscribe at least one SVOD service	58.8%	41.2%
Respondents that do not subscribe any SVOD service	65.2%	34.8%

Source: Own elaboration based on the analysis of the questionnaire' results.

Similar to what was observed with the previous membership plan analysed in the sub-chapter 4.1.1., the t-test validated that there is no significant statistically difference between streaming users and non-SVOD users regarding maximum tolerance for advertising in a free membership plan ($t[183] = -0.042$, $p = .967$). Table 21 depicts respondents' maximum average tolerance for advertising (per hour of content) for both active and non-active streaming (SVOD) users.

Table 21 - Mean of Respondent's maximum adv. time (in seconds) per hour of content in a free membership plan.

	Free Plan	
	M	**SD**
Respondents that already subscribe at least one SVOD service	265.8	196.1
Respondents that do not subscribe any SVOD service	264.4	251.9

Source: Own elaboration based on the analysis of the questionnaire' results.

In addition to these experiments, an independent samples t-test was carried out to see if existing SVOD users' interest in joining new platforms through a free membership plan is influenced by the number of platforms to which they are now subscribed. According to the t-test ($t[192] = -1.78$, $p < .10$), there is a statistical difference between the two groups. In reality, the test shows that people who are interested in signing up for more services through a free membership have less current memberships on average ($M = 1.89$, $SD = 1.03$) than those who are not eager to sign up for additional platforms at no cost ($M = 2.16$, $SD = 1.02$).

4.2. Discussion

In this sub-chapter, we discuss the results, having as reference the theoretical framework and the objectives of the study initially outlined.

The literature mentions that streaming (SVOD) usage is more common among younger generations (ANACOM, 2022), in specific, teenagers and young adults between 16 and 34 years old. This assumption was used as a starting point to define the population of this study, hence all the respondents were from ages between 16 to 34 years old. ANACOM (2022) research also suggested that according to working situation, SVOD usage is more common among students, however, based on the sample's results, it is possible to conclude that individuals with no active paid occupation (which includes students, unemployed and retired individuals) are less likely to subscribe to a streaming (SVOD) service than active workers (Table 9). Interestingly, besides the sample being predominantly feminine, it was also possible to conclude that male individuals are keener to become streaming subscribers as 73.9% of male respondents had at least one SVOD service (Table 8).

Furthermore, the questionnaire responses confirmed what Matos (2022) mentioned regarding a study elaborated by Just Watch (2022) which revealed Netflix as the streaming platform with the greatest reputation and penetration in Portugal. Despite so, the literature specified Amazon Prime Video as the second most subscribed platform within the market (with 22% of market share), however the conducted survey suggests HBO Max as the second most popular service in the territory (Table 10). This discrepancy does not appear to be particularly significant to us, and it might be due to the differences in the samples used in each study.

Through the survey responses, we found 389 total subscriptions among the 194 respondents (Table 9 & 10), meaning that each streaming user has on average 2.01 SVOD subscriptions, marginally exceeding the 1.6 global average projected for 2020 (Statista, 2020). Additionally, survey participants mentioned that a considerate amount of their subscriptions is via a third-party service, as 32.0% of respondents have at least one streaming (SVOD) subscription that is combined with their TV/Telecom service (Table 12). This information supports one of the highlights of ANACOM (2023) research, which reveals that certain streaming services are being including into TV/Telecom service operators bundles with the intent of increasing market penetration as a result of the bundling effect. As noted in the previous chapter, HBO Max and Amazon Prime Video are two examples that profit from being aggregated on TV/Telecom bundles, with, respectively, 50.0% and 62.7% of their total subscriber numbers in the sample coming from aggregation situations. Therefore, it is appropriate to understand these partnerships with third-party media companies as having a positive impact on the number of subscriptions to a streaming (SVOD) platform.

Despite the significant success of on-demand streaming services for audiences, subscription growth rates have been slowing for major player. As previously mentioned, firms such as Netflix and Disney Plus announced their intention to adapt to the new market conditions and launch ad-based plans with a reduced membership price in an attempt to shore up declining audiences. Within the media industry, competition is fierce from both traditional linear television players and on-demand SVOD providers. Therefore, in line with Porter's (1985) framework, these platforms seek to differentiate themselves and attain greater market share by targeting price-sensitive customers who are unwilling to pay for subscription-based services. Moreover, adding ad-supported subscription plans may enhance ease of use, thus, SVOD providers can augment the perceived ease of use, further driving user acceptance and adoption (Davis et al.,1989). Hence, our study had the main purpose of understanding consumer subscription behaviour if an ad-supported membership plan with a reduced price -- like Hulu case in the U.S. -- were available within the Portuguese market and assessing if this would lead to an increase in SVOD usage. In fact, based on our research, it is possible to conclude that the adoption of a membership plan with commercials for SVOD services would lead to an increase in streaming subscriptions.

According to our survey sample, this membership option would lead to an increase of 284 streaming subscriptions which would represent in a 73% increase among the sample with both current SVOD users and non-users subscribing to around 1.7 more streaming services. With regard to current memberships, it can be concluded that if this membership option were available, nearly a quarter of the current full-price memberships in the sample would be 'downgraded' to a membership plan with commercials and reduced price (Table 14).

Furthermore, based on the Table 15, it was possible to understand that for this membership price to be perceived as attractive alternative, the ad-tier price needed to be price discounted at least 50% off the full price.

Furthermore, willingness to subscribe to additional SVOD providers through a free membership plan with advertisement and limited access to the content catalogue was tested. Despite not being possible to identify a difference in the level of interest between current streaming users and non-users, it was possible to understand that users would be more willing to test a new platform through this subscription plan than via an ad-supported plan with a reduced price i.e. among the non-streaming users (Table 16 & 20).

Also, an examination of SVOD users who are willing and hesitant to subscribe to additional platforms via a free membership plan supports the idea presented by some studies (Epson, 2022) of streaming fatigue, as survey respondents who are keen to sign up for extra platforms for free have less current memberships on average than those who are not eager to sign up for other platforms for free. Interestingly, this contrasts with a Nielsen's (2022) *State of Play* survey of U.S. streaming (SVOD) users, which revealed that despite nearly half of their survey respondents feeling overwhelmed by the multiple new platforms and thousands of new content, 93% plan to increase their streaming options or make no changes to their existing plans (Nielsen, 2022).

5. Conclusion and Limitations

5.1. Conclusion

Subscription video on-demand (SVOD) platforms are now a part of many people's daily lives throughout the world. These services have altered how global television viewers consume content and reshaped how the traditional media and entertainment sector produces, distributes, and disseminates shows. Regardless of its recent success, with many new providers arriving, subscriber growth rates have slowed for several providers, and some major players have experienced subscription losses for the first time.

The main objective of this study was to understand the impact of the introduction of advertising to streaming platforms and how this addition may affect subscriber behaviour in the Portuguese SVOD market. For this, we conducted an observational, descriptive, and cross-sectional study with a focus on quantitative methodology, with a sample of 332 participants of both genders, aged between 16 and 34 years with Portuguese nationality. For data collection we used a questionnaire built specifically for this research and used snowball sampling for data collection.

The findings suggest that the introduction of an ad-supported plan would be a beneficial way for providers to arrest the downslide of subscriptions in the Portuguese market, differentiate themselves, and strengthen market share by targeting price-sensitive customers who are unwilling to pay for subscription-based services. Based on the research conducted, the addition of an ad-tier plan would result in a significant rise in streaming subscriptions among the sample. Additionally, it was projected that if the ad-tier plan dropped prices by at least 50% off the full subscription, one in every four current full-price memberships in the sample would be 'downgraded' to a reduced-price plan with advertisements.

Moreover, this study also highlights the importance of bundling and establishing partnerships between streaming providers and other third-party companies with complementary products or services such as TV & Telecom providers. It was proved that these partnerships have a positive impact on the number of new subscriptions to a streaming (SVOD) platform and would boost product trials and usage.

5.2. Limitations & Further Research

This research has various limitations. It assumes that all streaming users are active and individual subscribers through a paid membership, ignoring that some might share streaming accounts. Some on-demand streaming providers such as Netflix had developed mechanisms to fight and reduce illicit accounts sharing, blocking account sharing and establishing a specific membership option for multiple viewers. However, this study does not measure the relationship between account sharing and the introduction of ad-supported membership plans. Likewise, this research does not consider the possibility of accessing digital content via piracy websites.

Moreover, another limitation of this study is that it does not take into consideration the effect of ad-supported plans on streaming companies' business models. This is a crucial point to consider because many streaming services offer both subscription-based and ad-supported plans, and the revenue made from advertising can have a big impact on their overall profitability. Furthermore, the study lacks a thorough discussion of advertising pricing in the subscription video on demand (SVOD) market, which can differ significantly depending on elements like audience demographics, content type, and platform. Therefore, future research could benefit from looking at how advertising affects streaming companies' business models and from learning more about how much advertising costs in the SVOD Portuguese market.

Hence, further study into SVOD's advertising exposure on purchase intention and particularly on the streaming user experience on the platforms is needed to better understand the influence of advertising in the streaming (SVOD) business and anticipate the impacts on the media and entertainment sector. It would be beneficial to examine how viewers react and behave after being exposed to various advertising strategies on streaming (SVOD) platforms in order to determine the best strategies for businesses that don't compromise user experience.

Also, research should look at the true economic effects of advertising earnings for media and entertainment businesses. When present ad-free subscriptions are replaced with cheaper memberships with advertisements, it is even more crucial to evaluate this impact.

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Appendix A - List of SVOD platforms operating in Portugal

Platform	Description	Price
Apple TV +	Apple TV + is the subscription-based streaming platform of Apple. It was launched in Portugal in November 2019. In terms of content, it is focused on Apple's original content.	€6,99/month
Disney Plus	Disney Plus is the only streaming platform of The Walt Disney Company available in Portugal. It was launched in the Portuguese market in September 2020 and has the content of the following brands: Disney, Pixar, National Geographic, Star Wars, Marvel and Star (which includes FX, 21st Century FOX, Hulu content and third-party acquired titles).	€8,99/month or €89,90/year
MEO Filmes e Séries	MEO Filmes e Séries service is an exclusive platform for MEO users. It includes content from multiple channels and distributors such as AXN Now, AMC, BBC and Cartoon Network.	€5,00/month
HBO Max	HBO Max was launched in 2022 in Portugal, and its owned by Warner Bros. Discovery Group, in their portfolio, they include HBO and Max originals as well as Warner Bros, DC and Cartoon Network content.	€5,99/month or €71,88/year
Globoplay	Glopoplay is the streaming platform created by the Brazilian network Rede Globo, and it includes most of the original productions of the group over the years (i.e. telenovelas, TV series and movies). The platform also has third-party content, mostly from other Latin American countries.	€8,99/month
Netflix	Netflix was launched in October 2015 in Portugal and was one of the first subscription-based streaming platforms in the Portuguese market, and is the platform with the highest market share in Portugal.	€7,99, €11,99 or €13,99 per month depending on the plan chosen.
NOS Play	NOS Play is an exclusive service for NOS customers. It includes content for all ages from various distributors such as Sony (content available in AXN Now) and Viacom (i.e. Nickelodeon content).	€3,99/month

OPTO	OPTO is a Portuguese SVOD platform created by the Portuguese private channel SIC. It was launched in November 2020 with numerous content produced for SIC group linear channels and some exclusive content made for the platform.	€3,99/month or €39,90/year
Amazon Prime Video	Prime Video is a streaming video service owned by Amazon. The platform contains extensive content from Amazon's original productions to third-party series and movies. The service became available in the Portuguese territory in May 2021.	€4,99/month or €49,90/year
Panda +	Panda+ is a subscription service created by Dreamia Group, which includes all the usual programming of the Portuguese kids' channel Canal Panda'. The subscription to this service is made through NOS, Nowo and Vodafone operators. Users can access the platform via a TV box or the app available for tablets and smartphones.	€2,99/month or €29,99/year
SkyShowtime	SkyShowtime is one of the most recent streaming platforms available in Portugal. It is part of the Paramount Global group and started operations in the Portuguese market in October 2022. It includes content from the following brands: Universal, Dreamworks, Sky, Peacock, Nickelodeon, Showtime, Paramount+ and Paramount Pictures.	€4,99/month
FilmIn	FilmIn is a Spanish subscription-based streaming platform with a library of independent films, available in Portugal since 2016.	€6,95/month or €55/year
Mubi	Mubi is a curated film streaming platform, and it is available in over 190 countries on the web, through TV and mobile apps. The service has a vast library of cult films and independent works from the most renowned filmmakers around the globe.	€11,99/month or €95,88/year
YouTube Premium	YouTube Premium is a paid subscription service that allows website users to watch free content without ads and access exclusive and original content from digital creators, along with some tv series, films, and documentaries. This subscription also enables other functionalities such as video downloads, background play and YouTube Music Premium service.	€8,49/month
Q Play	Q Play is the streaming platform developed by the Portuguese content producer Produções Ficticias. The library of this service includes several humoristic and entertainment formats in Portuguese produced for Canal Q TV channel.	€2,99/month or €29,99/year
AXN Now	AXN Now is a paid TV app which offers content from AXN channels (property of Sony Pictures Entertainment). It is integrated into MEO Filmes e Séries for MEO customers and into NOS Play	NA

	for NOS users, and in Vodafone is part of top-tier bundles (Bundle 170 Channels).	
Rakuten TV	Rakuten TV is a on-demand streaming service that offers a comprehensive library of titles, including sports, movies, dramas, and anime, for subscription, rental, or purchase. The catalogue has titles from the leading global studios along with independent producers. Besides Japan, the service is available in 16 European countries, including Portugal.	Price per content
Crunchyroll	Crunchyroll is a subscription-based streaming service focused on anime and manga titles. The top-tier plans also enable users to access new episodes a few hours after being broadcast in Japan.	€4,99/month, €6,49/month or €64,99/year depending on the plan chosen.
Film Twist	Film Twist is a Portuguese streaming platform launched in April 2022 and has an extensive library of terror, thriller, and sci-fi content.	€5,99/month or €59,90/year
Nick +	Nick + is a streaming video service owned by Paramount Global that offers access to many Nickelodeon shows. In Portugal, the platform is exclusive for MEO and Vodafone users.	€2,99/month

NA – Not Available.

Appendix B - Hulu's subscription plans and Add-ons

Subscriptions Plans

- **Hulu ads supported plan** – allows users to stream Hulu library at a reduced price thanks to commercial announcements within the platforms and throughout the content.
- **Hulu ads-free plan** – stream all the Hulu streaming library without interruption and the possibility to download shows and movies for offline viewing.
- **Live TV** – regardless of their base plan, users can also opt to have access to 75+ live TV channels to watch on multiple screens. This option may still have commercials, even if users have subscribed to Hulu's ads-free plan.

Add-ons

Partner Add-ons

- **ESPN Plus** – allows access to Hulu's subscribers to live broadcasts and original content from the ESPN+ library directly on the Hulu platform.
- **Disney Plus** - allows access to Hulu's subscribers to content from Disney, Pixar, Marvel, Star Wars, National Geographic, and more via the Disney Plus app and website.

Premium Add-ons

- **SHOWTIME** – users can stream new episodes, films, championship boxing competitions and more available on SHOWTIME service.
- **HBO Max** - allows access to HBO Max originals and exclusive content on the HBO Max app and can stream HBO content through the Hulu app.
- **Cinemax** – allows users to stream feature movies and Cinemax's original series through Hulu's app.
- **STARZ** – users gain access to STARZ's original content and to a variety of theatrical releases ranging from current hits to modern classics.

Live TV Add-ons
• **Entertainment** – enables subscribers to access live broadcasts and on-demand content from several entertainment & lifestyle cable TV networks like Crime + Investigation, Discovery Family, Discovery Life, Nicktoons, MTV Classic, and TeenNick. • **Sports** – allow users access to additional live and on-demand content from broadcasters like NFL RedZone, FanDuel TV and FanDuel Racing, among others. • **Español** – includes Spanish-language live streams and on-demand content from Discovery Familia, ESPN Deportes, and NBC Universo, among other networks.

Source: Own elaboration based on Hulu Help (2022).

Appendix C – Questionnaire' Script

Introduction

Dear Participant,

I am a final year Master's student from the Master in Management with a specialisation in Strategy and Entrepreneurship at CLSBE (Universidade Católica Portuguesa). I request you join my dissertation project by completing the following survey questionnaire. The aim of this research is to investigate how adding advertising to streaming (SVOD) platforms might affect subscribers' behaviour.

The following questionnaire will require approximately 5 minutes.

Responses collected are anonymous and intended for academic purposes only. The data collected is confidential. No information will be collected that allows the identification of participants.

Thank you for taking the time in assisting me with this research,

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Part I – Demographic Information

Q1 – Gender

a) Male
b) Female
c) Prefer not to say

Q2 – Age

(open numeric text box)

Q3 – Nationality

(list of all countries)

Q4 – Occupation

a) Student

b) Working Student
c) Employed
d) Unemployed
e) Retired

Q5 – Living in Portugal

a) Yes
b) No

Part II – Introductory Questions

Q6 – Are you a subscriber of a streaming (SVOD) service?

a) Yes (go to Q7)
b) No (go to Part IV)

Q7 – How many streaming (SVOD) services are you subscribed to?

c) 1
d) 2
e) 3
f) 4
g) 5 or more

Q8 – Which streaming (SVOD) platforms are you subscribed to?

a) Amazon Prime Video
b) Apple TV+
c) Disney +
d) FilmIn
e) Globoplay
f) HBO Max
g) Mubi
h) Netflix
i) OPTO
j) SkyShowtime
k) Other(s) (if selected, Q8.1 appears)

Q8.1 – If 'Other(s)', please indicate which platform(s).

(open text box)

Q9 – Is your streaming (SVOD) service subscription included in your Telecom/TV bundle (for instance, in your NOS, MEO, Vodafone or NOWO bundle)?

a) Yes (go to Q9.1)
b) No (go to Part III)

Q9.1 – If 'Yes', which streaming (SVOD) services are included in your Telecom/TV bundle?

a) Amazon Prime Video
b) Apple TV+
c) Disney +
d) HBO Max
e) Netflix
f) Other(s) (if selected, Q9.1.1 appears)

Q9.1.1 – If 'Other(s)', please indicate which platform(s).

(open text box)

Q9.2 – Do you have free access to this/these streaming (SVOD) service(s)? Please select which platform(s).

a) Amazon Prime Video
b) Apple TV+
c) Disney +
d) HBO Max
e) Netflix
f) Other(s) (if selected, Q9.2.1 appears)
g) No, I pay an extra to have access to the streaming (SVOD) platforms.

Q9.2.1 – If 'Other(s)', please indicate which platform(s).

(open text box)

PART III

(This Part will repeat as many times as the number of answers of Q8. This section adapts to each SVOD platform(s) selected)

For the following questions, please consider only the platform: **XXXX**

Q10 – How long have you been subscribed to this streaming (SVOD) service?

a) Less than 6 months
b) 6 months - 1 year
c) 1 year - 2 years
d) More than 2 years

Q11 – Please refer to what extent you are satisfied according to each aspect.

	Extremely dissatisfied	Somewhat dissatisfied	Neither satisfied nor dissatisfied	Somewhat satisfied	Extremely satisfied
Content Variety					
Quality of content					
Recommendations of new content					
Easy-to-navigate platform					
App/Platform Functionalities					
Price					

Q12 – If the streaming (SVOD) service launched an ad-supported plan (with commercials) with a reduced price, would you be interested in switching to that plan?

a) Yes, I would opt for the cheaper plan with commercials.
b) No, I would prefer with the current plan.

Q13 – How much would you be willing to pay (per month) for this ad-supported plan?

(The answer' intervals are adapted to the price ranges according to the current monthly price of each platform)

a) €0 – 25% of current monthly price of the platform
b) 25% – 50 % of current monthly price of the platform
c) 50% – 75 % of current monthly price of the platform
d) 75% – 100 % of current monthly price of the platform

Q14 – How many minutes of advertising would you be willing to accept per hour of content?

(open numeric text box)

PART IV

For the following questions, please consider the streaming (SVoD) services that you **DO NOT** subscribe.

Q15 - If those streaming (SVOD) services you are not a subscriber had an ad-supported plan (with commercials) with a reduced price, would you consider subscribing to one of those platforms?

a) Yes (go to Q15.1)
b) No (go to Q16)

Q15.1- If ‘Yes’, how many more streaming (SVOD) platforms would you be interested in subscribing to?

a) 1
b) 2
c) 3
d) 4
e) 5 or more

Q15.2 - Which streaming (SVOD) platforms would you be interested in subscribing to?

a) Amazon Prime Video
b) Apple TV +
c) Disney +
d) FilmIn
e) Globoplay
f) HBO Max
g) Mubi
h) Netflix
i) OPTO
j) SkyShowtime
k) Other(s) (if selected, Q15.2.1 appears)

Q15.2.1 - If 'Other(s)', please indicate which platform(s).

(open text box)

Q15.3 - What is the total advertising time would you be willing to accept per hour of content?

(open numeric text box)

Q16 - Would you be interested in subscribing a new streaming (SVOD) service with a free plan with less content and frequent commercials?

a) Yes (go to Q16.1)
b) No (finish the questionnaire)

Q16.1 - What is the total advertising time (per hour of content) would you be willing to accept in this free plan?

(open numeric text box)

- End of the questionnaire -

Appendix D – Sociodemographic and professional characteristics of SVOD users which are willing to subscribe new platforms with an Ad-tier plan

Table A – Per age group

Which other SVOD platforms would the respondent be interested subscribing?					
	16 - 19	**20 - 24**	**25 - 29**	**30 - 34**	**Total**
Amazon Prime Video	18	5	2	2	**27**
Apple TV+	5	1	2	4	**12**
Disney +	24	12	2	10	**48**
FilmIn	0	0	1	0	**1**
Globoplay	0	2	1	0	**3**
HBO Max	17	9	2	7	**35**
Mubi	0	0	1	0	**1**
Netflix	9	7	4	1	**21**
OPTO	0	1	0	1	**2**
Skyshowtime	1	0	3	2	**6**
Others*	1	0	0	0	**1**
Total	**75**	**37**	**18**	**27**	**157**

***Others:** Crunchyroll (1).

Table B – Per occupation

Which other SVOD platforms would the respondent be interested subscribing?						
	Student	**Working Student**	**Employed**	**Unemployed**	**Retired**	**Total**
Amazon Prime Video	22	2	3	0	0	**27**
Apple TV+	6	1	2	3	0	**12**
Disney +	32	4	11	1	0	**48**
FilmIn	0	0	1	0	0	**1**
Globoplay	3	0	0	0	0	**3**
HBO Max	21	5	8	1	0	**35**
Mubi	0	0	1	0	0	**1**
Netflix	15	2	4	0	0	**21**
OPTO	1	0	1	0	0	**2**
Skyshowtime	1	0	4	1	0	**6**
Others*	1	0	0	0	0	**1**
Total	**102**	**14**	**35**	**6**	**0**	**157**

***Others:** Crunchyroll (1).

Appendix E – Sociodemographic and professional characteristics of non-SVOD users which are willing to subscribe new platforms with an Ad-tier plan

Table A – Per age group.

Which other SVOD platforms would the respondent be interested subscribing?					
	16 - 19	**20 - 24**	**25 - 29**	**30 - 34**	**Total**
Amazon Prime Video	5	1	1	2	**9**
Apple TV+	8	2	0	1	**11**
Disney +	22	3	0	1	**26**
FilmIn	0	0	0	0	**0**
Globoplay	1	0	0	0	**1**
HBO Max	17	5	0	2	**24**
Mubi	0	0	0	0	**0**
Netflix	33	6	1	7	**47**
OPTO	2	1	0	0	**3**
Skyshowtime	2	1	0	0	**3**
Others*	3	0	0	0	**3**
Total	**93**	**19**	**2**	**13**	**127**

***Others:** Spotify Premium (2) & Hulu (1).

Table B – Per occupation.

Which other SVOD platforms would the respondent be interested subscribing?						
	Student	**Working Student**	**Employed**	**Unemployed**	**Retired**	**Total**
Amazon Prime Video	6	0	3	0	0	**9**
Apple TV+	10	0	1	0	0	**11**
Disney +	24	0	1	1	0	**26**
FilmIn	0	0	0	0	0	**0**
Globoplay	1	0	0	0	0	**1**
HBO Max	19	2	2	1	0	**24**
Mubi	0	0	0	0	0	**0**
Netflix	36	2	8	1	0	**47**
OPTO	2	1	0	0	0	**3**
Skyshowtime	2	1	0	0	0	**3**
Others*	3	0	0	0	0	**3**
Total	**103**	**6**	**15**	**3**	**0**	**127**

***Others:** Spotify Premium (2) & Hulu (1)