

# **Consumer Perception of the Addition of Advertisements on Netflix**

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## **Abstract**

Netflix has become a significant way consumers view television and is a leader in video-on-demand (VOD) services. It paved the way for ad-free television and many grew accustomed to not having to see an ad for their television content. However, Netflix is changing their format to include ads. This research examines what type of consumer will continue to use Netflix after the implementation of commercials. This includes demographics, features the consumer enjoys about Netflix, and other external variables. An online survey was conducted of 265 people and contained questions about the amount of time they spent watching Netflix, what they liked about it, and what Netflix could do to improve if they started adding commercials. The survey also asked about their TV-watching and streaming habits as well as basic demographic questions such as age and income. It was originally thought that the older consumers would be more likely to be accepting of commercials but the data analysis proved that it is in fact the opposite, the older the consumer is, the more likely they are to stop watching Netflix with the addition of commercials. There were also significant relationships between brand loyalty and level of attention to determine if a consumer was willing to continue their Netflix subscription. There were also differences in what features were important to the consumer depending on their age. There were significant and positive correlations found that could help Netflix determine what further actions they should take to maintain their subscription memberships.

## **Background**

The way consumers view television and movies has changed rapidly over the past 20 years. Before, there were very limited ways consumers could access content. There was the “network-era” from the 1950s to the mid-1980s which contained a commonality in picture and content for all audiences. This was also the period when networks started to take control of the programming from sponsorships and advertising. From the late 1980s to the mid-2000s, audiences were given more options where they had access to more cable channels and VCRs, allowing audiences to have more control over what they watched. What emerged from that period was a “post-network” era where streaming services emerged and were able to offer various content without the ads that TV was forced to show (Lotz, 2014). One of the key companies that started this new way of watching content was Netflix. Founded in 1997, Netflix was a pioneer in giving consumers a platform where they could view a variety of television shows and movies, whenever they wanted and without any ad disruptions. Netflix became the model for future streaming services and soon, the market was full of various networks and companies creating their own content and platforms in the hopes of being able to compete with Netflix.

However, Netflix has started to see some decline in its profits and subscription numbers. According to their second-earnings report in July 2022, they lost around 970,000 subscribers. While Netflix is working on different strategies to resolve this loss, such as busting on password sharing and providing different payment tiers, they have

started to reflect on the structure of their platform. They have started working with Microsoft to incorporate advertisements into their programming (NPR, 2022). As of November 3, 2022, Netflix has rolled out the, “Basic With Ads” plan to 12 countries, including the U.S. In this plan, subscribers will watch an average of up to 4 to 5 minutes of ads per hour that will be played before, during, and after the programming content. Consumers on this plan will also be unable to download titles for offline viewing, a feature that every other plan offers (Netflix, 2022). This plan is the cheapest out of all the others and is the only one that will have ads. Therefore, any subscriber that wants to stay with their plan and pay the same amount will see no change.

This news has still surprised and angered a lot of consumers. Netflix paved the way for ad-less content and now it’s reverting to traditional television viewing. With this recent update, we want to answer the question, “What are the key predictors of consumers’ acceptance of commercials on Netflix?”

We think this research question is important because it will affect the 221 million subscribers Netflix has. As one of the first in OTT content, it allows other OTT services to follow suit. We want to research the consequences of this venture and how consumers will react to this decision. We aim to see if there will be specific motivations, perceptions, or demographics of consumers that will predict who will be more accepting of this drastic change. We want to understand if this will be a change that consumers will be able to adapt to or if Netflix will continue to see a loss in users despite their attempts to keep their membership growing.

## **Literature review**

### **Price Factor in the VOD Market**

Competition in the video streaming service market varies greatly regarding pricing structure and strategy. Video on Demand (VOD) services can range from \$5 to well over \$40 a month, with each service having a different advertising approach. Many services offer tier-based plans, allowing consumers to choose the tier that has the most value to them, with tier differences usually being device capacity, video quality, or in-streaming advertisements.

Since it first began offering on-demand video content, Netflix's business model and brand identity are in its ad-free viewing experience (Kweon & Kweon, 2021). While Netflix offered a tier-based subscription, the tiers varied by streaming capacity and video quality, not advertisements. No matter what price tier viewers subscribed to, Netflix promised uninterrupted streaming.

Netflix built its brand on being ad-free, which allowed lower-cost competitors like Hulu to take up valuable market share. Hulu's success indicated that consumers are willing to pay a lower price, despite the addition of advertisements. While Hulu does offer ad-free plans, its most subscribed service tier is its ad-supported plan (Kweon & Kweon, 2021). Netflix was one of the last remaining VOD services that do not show advertisements in their content. While it might be what consumers initially loved, the refusal of allowing advertisements might have caused their multi-million dollar revenue loss for 2022 (Netflix, 2022).

Some research suggests that consumers are more sensitive to price than there are to the inconvenience of advertisements (Shon et al., 2021). As the market becomes more saturated by VOD services, price could be the most distinguishing factor for customer acquisition and retention (Kweon & Kweon, 2021). Researchers are beginning to believe that, in contrast with Netflix's original philosophy, customers are willing to exchange advertisements for a lower price point.

While lower prices beat out the inconvenience of ads for consumers, a low price point is not everything. The quality of content and the perceived trustworthiness of the service both allow for higher prices (Carroni & Paolini, 2020)(Augusto et al., 2019). Content quality and price have a seemingly positive relationship: As the quality of the content increases, the amount of money a consumer is willing to pay for the service also rises. The higher the quality of content a platform has, the higher the price it can charge (Carroni & Paolini, 2020).

The trustworthiness of the platform also seems to be a factor in determining willingness to pay. Consumers will pay a premium price for streaming services they trust, but service convenience and platform sophistication are both found to influence trustworthiness (Augusto et al., 2019). While trust does allow for a higher price, and the use of advertisements, serving viewers the wrong kind of ads can diminish trust. Studies are finding that video streaming service users have a distaste for ads that use their personal information, like retargeting ads, and are willing to pay more to block behavioral ads (Shon et al., 2021). Decreasing trust and convenience, whether by serving too many advertisements, or causing the consumers to feel violated by

behavioral ads, might decrease the marginal utility of VOD services. This could subsequently decrease the amount they are willing to pay for their subscription.

### **Quality of Content and Brand Loyalty**

While price is an important factor for consumers in their experience with OTT streaming services, it has proven not to be the only factor they value. According to a 2020 article, “Users value contents’ variety and quality of the service and are heterogeneously bothered by ads” (Carroni & Paolini, 2020). Quality has shown to be a crucial factor considered by consumers of these streaming services. (Carroni & Paolini, 2020).

In Palomba's (2020) article, quality was shown to affect consumers' brand loyalty in fashion, drugs, and social media, demonstrating a pattern among different product categories (Palomba, 2022). Therefore, it is safe to surmise that quality will affect consumer's continued use of a streaming service. If streaming services do not provide the high-quality experience consumers desire, they will likely start using a service that better matches their desired quality level (Van Daele, 2020) (Gupta & Sangharia, 2021). While some elements that make up a streaming service's quality include more obvious factors, such as video and sound, how people use streaming services, such as technology, style, and design, also provokes thought about more nuanced aspects of quality (Palomba, 2022).

As previously mentioned, when the quality of a streaming service's content increases, people are willing to pay more, allowing the platform to charge more for a 'premium' version, meaning that users are willing to pay for upgrades in the service. (Carroni & Paolini, 2020).

While quality is of value to consumers, Palomba's (2022) article highlights how OTT original series may affect how the opinion of 'quality' is formed. Across different streaming services, there are various original series that are available. Streaming service subscribers can watch any of the content offered from the given selection. Because of this, people may perceive each OTT service differently based on the original content they choose to watch (Palomba, 2022). Palomba offers a breakdown of this idea, "If consumers can watch unlimited original series, which typically span many different genres, for the same monthly subscription price, then they may also have markedly different perceptions of an OTT brand (Kim, 2017) (Palomba, 2022). If someone chooses to watch one type of content instead of another, their opinion about the OTT service may not be the same as someone else who has chosen a different genre.

These perceptions based on the original content that people are choosing to watch may affect the perceived quality of the entire OTT brand (Palomba, 2022). The quality level that consumers assign to a particular streaming service affects brand loyalty, which affects how inclined they are to continue using the service (Palomba, 2022).

Despite the insight we have gained on how the type of content affects perceived quality of a streaming service, there is a lack of available research regarding consumers' level of attention to content and their streaming behaviors. However, there is research showing that consumers would be willing to watch advertisements during their streaming experience in exchange for lower-priced options (Kweon & Kweon, 2021). This is especially true as the streaming service market becomes more saturated.

Research shows that many people would even cancel some of their subscriptions or start subscribing to less expensive subscription plans so that they can try newer streaming services (Kweon & Kweon, 2021). They are willing to compromise the convenience of an ad-free experience in order to save money. By doing this, they are able to subscribe to more streaming platforms and consume more content (Kweon & Kweon, 2021).

### **Advertising Tolerance in Streaming Services**

The main motive and success of streaming services were being able to avoid ads. While SVoD and traditional television have many differences, avoiding in-content advertisements is one thing that initially made streaming so popular. Netflix was the first to pioneer ad-free entertainment and popularized ad-free content. Consumer perception of advertising varies based on consumer streaming behavior. Whether consumers are willing to watch a few seconds with the ability to skip or pay a high price for a premier account, digital advertising will continue to increase, and behaviors will evolve to either become accepting of ads or disdaining towards them.

Based on previous research, factors for subscribing to streaming services as global video consumption grows include the lower cost of SVoD services, younger ages willing to subscribe, users wanting an ad-free experience, and the added convenience of watching on mobile devices (Samala, Soumya, Venkat 2021).

Low consumer tolerance for ads on digital platforms could affect the profitability of streaming services and the overall advertising industry. Finding a way to integrate ads in order to increase profit margins without driving away customers has been a



challenge for streaming platforms. Compared to cable television, consumers have a lower tolerance for OTT ads due to the power of ad-skipping across other digital platforms. This has affected the lengths of ads that do not hold viewers' attention (Dorsett 2022).

Binge-watching is a popular consumer behavior phenomenon and part of the main structure of Netflix's tactics. The platform releases all episodes of a season at once to support this behavior. With ads disrupting their binge-watching viewing experience, viewers might feel it defeats the purpose of paying for a streaming platform. Inserting ads during binge-worthy shows may have a negative impact on a binge-watcher's perception of ads. We can refer to our theory that offering subscription price options could play a factor in the binge watcher's perception of ads that gives them the freedom to watch ads or not.

Television continues to evolve from cable television to digital streaming platforms, also coined as cord-cutting. Netflix started the cord-cutting revolution. Ad avoidance behavior and easy-to-watch technology were the main intentions of cutting the cable. The factors for making the switch include prices and age, with age also being a variable in our research (Tefertiller 2020). General attitudes towards television include intentionally avoiding ads and frustration when not being able to watch what they want when they choose.

The more streaming services support the behavior that developed the advertising avoidant behavior, the more we predict to see an increase in negative perception of ads. Giving consumers the ability to skip commercials, download content, and binge watch has given users the belief that streaming is an advantage and they will

continue to engage in ad avoiding behaviors that are associated with streaming technology (Tefertiller 2020).

The purpose of SVoD is to give streamers the best user experience. We are looking to find how the integration of ads will disrupt the overall viewer experience by either causing a drop in subscriptions, an increase in revenue, or the ability to upgrade plans to avoid ads.

### **Impact of Age and Consumer Experience**

Our proposed method looks further into surveying the different age groups that are purchasers of streaming services and how they correlate with their perceptions of ads. To support hypothesis one and two that older consumers would have a higher acceptance of ads than younger consumers due to the prevalence of ads from cable tv in their lifetime, we reviewed factors including age, gender, and technology experience are the intention for SVoD consumption (Madanaguli 2021). In the experience of habituation, the longer the duration of an experience, such as exposure to ads, the more likely a person can develop an association to it and affect their behavior. When it comes to the impact of age and consumer behavior, online technology has altered the way different age demographics consume entertainment because it is difficult for older ages to adapt to new technology and change their habits (Wu 2001). Therefore we are in agreement with the research that younger people are less tolerant of ads in comparison (Southgate 2017). The perception of ads differences accentuate with age.

## **Variables, Research Question, and Hypotheses**

The variables we researched are consumer demographics, consumer acceptance of commercials, type of show content, level of attention to content, and existing streaming service subscription plans. The independent variable is the consumer demographic. The dependent variable is consumers' acceptance of commercials on streaming services. Control variables included type of show content, level of attention to content and streaming service subscription plans. We predict that older consumers will have a greater acceptance of commercials than younger consumers. We believe this applies to older consumers because commercials have been more prevalent throughout their lifetime. Additionally, we believe that consumers' acceptance of commercials on streaming platforms will be predicted by a show's type of content, their level of attention to the content, and their subscription plans.

We seek to answer the research question of, "What are the key predictors of consumers' acceptance of commercials on Netflix?" The proposed hypotheses consider the independent variable of consumer demographics and the dependent variable of consumers' acceptance of commercials on streaming services. Control variables including type of show content, level of attention to content and streaming service subscription plans are also considered.

When researching the key predictors of consumers' acceptance of commercials on Netflix, we propose the following:

*H1: Older consumers will have a higher level of consumer acceptance of commercials than younger consumers.*

*H2: Older consumers will be more accepting of commercials due to the prevalence of commercials throughout their lifetime.*

*H3: Consumers' acceptance of commercials on streaming platforms will be predicted by type of show content, level of attention to content, and subscription plans.*

These theories are based on the evolution of television among different generations. Older generations grew up with limited television viewing technology, whereas younger generations grew up with the ability to record tv shows and, more recently, the innovation of streaming services. Further insights into the shortened attention spans and instant gratification are cultivated from the use of social media, which is heavily used by the younger generations.

Our literature review supports our hypotheses. Our research will survey consumers, allowing us to analyze streaming behaviors and ad acceptance-based. Effective integration of advertisements into streaming platforms is dependent on the acceptance of commercials by each target market, their streaming behavior, pricing options, and the type and variation of streaming content.

## **Method**

### **Sample:**

Our survey reported a total of 251 responses; however, only 186 were counted towards our research. The loss of 65 responses is due to their screening response of not having access to a Netflix account, therefore they were invalid. Age ranged from under 18-74, with the majority being in the 18-34 age range. Approximately 34% were aged 18-24 and 32% were aged 25-34 while 3.3% were in the 65-75 age range.

Household income ranged from “Less than \$10,000” to “More than \$150,000” with 33.15% of participants being in the “More than \$150,000” category and approximately 10% being in the “\$60,000-\$69,999” category. There was no specific category of how these participants were found, our survey was intended to be taken by anyone regardless of gender, location, job, ethnicity, etc as long as they used streaming services and had a Netflix account.

### **Measurement:**

This survey begins with general, demographic-based questions and then moves into Netflix and commercial-based questions. We started with basic usage and preference-related questions regarding Netflix then transitioned into measuring their reactions and opinions of commercials and advertisements.

*Independent Variables.* As mentioned, our survey begins with measuring the consumer demographic, which in this case is our independent variable. We implemented a screening question of “Do you have access to a Netflix subscription?” in order to weed out the consumers who are ineligible to take this survey. Two answers were given in which 74.1% answered “Yes”, and were able to move on, while 25.9% answered “No” in which their survey ended.

Q3 reported a nominal measurement of the participant’s ages. 9 answer options were given; “Under 18”, “18-24”, “25-34”, “35-44”, “45-54”, “55-64”, “65-74”, “75-84”, “85 or older”. Q4, also a nominal measurement, measured the respondent’s household income. Twelve answer options were given ranging from, “Less than \$10,000” to “More than \$150,000”.

*Dependent Variables.* Many of our questions were placed in order to measure the consumer's acceptance of commercials on streaming services, in this case, Netflix. Q8 asked "If commercials were to be implemented into the Netflix streaming experience, would you continue subscribing?" with a multiple-choice response. Four answers were given: "Yes", "It depends on the commercial", "No", and "Unsure". A Likert scale was implemented on Q17 to ask "What is the likelihood that you will continue watching Netflix if commercials were implemented in the programming" with 0 being "Extremely Unlikely" and 10 being "Extremely Likely". An ordinal scale was used to measure the importance of Netflix features to the consumer. Answers included "Price", "Variety of content", "Quality of Content", "Ability to Download Content", "Ability to Stream on Multiple Devices", and "No Commercials". A ratio scale was used to measure the consumer's willingness "to watch an advertisement in exchange for 15 minutes of uninterrupted content" which was answered in seconds from 0 seconds to 100 seconds. Q22 also used a Likert scale to measure how often participants skip advertisements. 0 being "Never" and 10 being "Always".

*Control Variables.* Three questions measured our control variables in this research which pertained to the type of show content, level of attention to content, and streaming service subscription plans. Q13 asked the participant to rank the type of content they watch. 6 answers were provided, "Drama", "Comedy", "Romance", "Action", "Mystery/Thriller", and "Other". Q14 used a Likert scale to measure the "average level of attention [the consumer] give[s] when watching Netflix?" with 0 being "No Attention" and 10 being "Full Attention". The last question used an Ordinal Scale measuring the

consumer's use of other streaming services. The answers included "Netflix", "Hulu", "HBOMax," "Paramount", "Peacock", "Youtube TV", "Apple TV", and "Amazon Prime".

**Procedure:**

In order to measure our answers, we created an online survey through "Qualtrics". Since this was an online survey, we used the survey link to reach as many participants as possible. Our team gathered responses through social media (LinkedIn, Instagram, Facebook), group chats (GroupMe, Slacks, Teams Messaging, and Text), and reaching out to friends and family. Our survey consisted of 25 overall questions, with one being a screening question. 11 were multiple choice questions, 8 were Likert scale questions, 4 were ordinal scale questions, 1 was a ratio scale question, and 1 was a text entry question. Our survey ran for 10 days and reached a total of 251 respondents, however, only 186 of those respondents' answers were used for our results and analysis.

**Results**

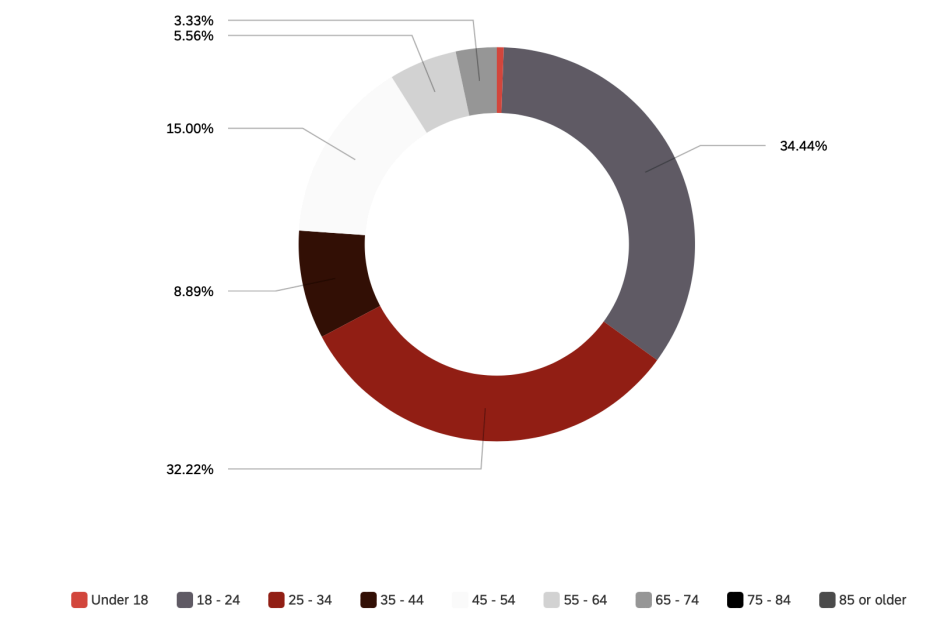
Many of the findings in this study were found to be the opposite of what was in our hypothesis and other general assumptions about the relationship between Netflix viewing and key features within each respondent. The key relationships were about age, price, and length of attention given to Netflix viewing. There were also quite a bit of features that we had thought would have significant relationships that proved inconclusive.

Of the 186 responses, 34% were 18-24 years old, 32% were 25-34 years old, 9% were 35-44 years old, and 15% were 45-54 years old (Figure 1). The majority of

respondents were under 34 years old, with a little under 50% reporting over \$100,000 a year in household income.

**Figure 1**

***Age of Respondents***



In our original hypothesis, we predicted that the older a respondent was, the more likely they were to be accepting of the addition of ads in their Netflix subscription. However, when we looked at the standardized coefficient between age and the likelihood of continuation, there was a strong negative correlation ( $r = -.22$ ,  $p < .05$ ).

**Table 1**

***Correlation between age and likelihood of continuing Netflix with ads***



Coefficients (What is the likelihood that you will continue watching Netflix if commercials were implemented in the programming?)

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.90	1.77	.00	3.90	.000
What is your age?	-.43	.18	-.22	-2.39	.018
Overall, do you enjoy the selection Netflix has to offer compared to other streaming services?	1.61	.44	.27	3.68	.000
Order these features based on their importance to you with your Netflix subscription. (1 being highest) - Variety of Content	-.41	.15	-.20	-2.80	.006
Rank the type of content you watch the most on Netflix, with 1 being the most watched? - Drama	-.13	.16	-.06	-.80	.422
What is the average level of attention you usually give when watching Netflix?	.24	.11	.16	2.09	.038
Do you pay for your own Netflix subscription?	.17	.48	.03	.36	.722
How often do you skip advertisements?	-.52	.12	-.33	-4.48	.000
On average, how often do you watch Live TV?	.16	.17	.08	.98	.331

So the older the respondent, the less likely they said they would continue their subscription. Another way this was shown was when respondents were asked what the top 3 features of Netflix were. When broken down by age, the feature, “No Commercials” was listed in the older ranges and not mentioned in the younger range.

**Table 2*****Top 3 Important Features broken down by age***

Age	Top Feature	Second Feature	Third Feature
18 - 24	Quality of Content	Variety of Content	Price
25 - 34	Quality of Content	No Commercials	Variety of Content
35 - 44	Price	Quality of Content	Variety of Content
45 - 54	No Commercials	Quality of Content	Variety of Content
55 - 64	Variety of Content	Quality of Content	Price
65 - 74	Price	Variety of Content	No Commercials

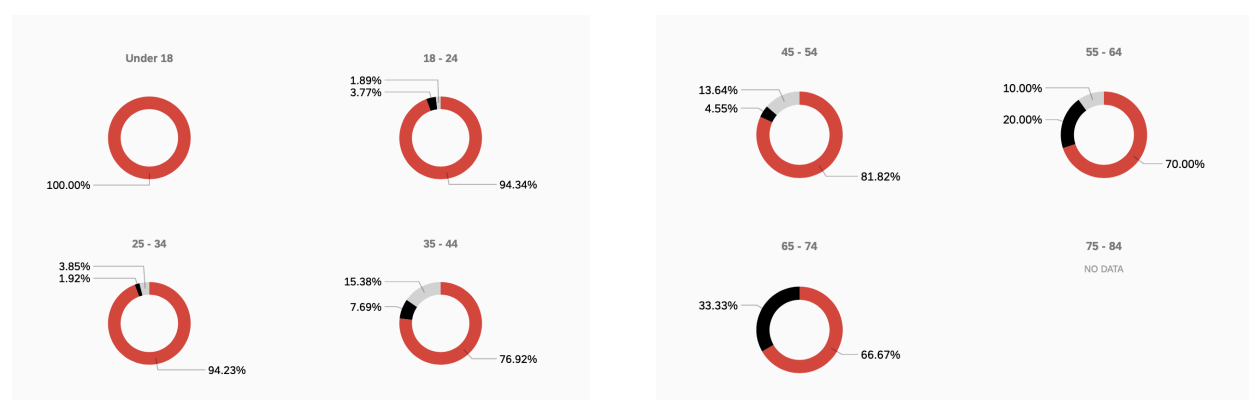
However, when asked how likely they would continue their subscription if ads were implemented, 81% of respondents said they would most likely stop. It is possible that younger people are now so accustomed to not having commercials, they assume it's something that will never change. However, older generations remember what it was like to have commercials and are very appreciative of having a platform that doesn't

have them. Therefore, their feelings are stronger about having to deal with ads in their content again.

Another strong relationship that was shown was how respondents viewed price as a factor into the addition of advertisements. 57% of respondents said they were willing to pay a higher price to avoid commercials. There is also a significant relationship between paying for your own Netflix subscription and price being the most important Netflix feature ( $p < .05$ ,  $r = -.170$ ). Those who pay for their own Netflix subscription are more likely to consider price the most important factor. 88% believed that Netflix should adjust their pricing if commercials were added. However, when broken down by age, the older the consumer, the less likely they were to think that a change in price was necessary (see Table 2). While older consumers value the option of not having commercials, they aren't as concerned about the price if commercials were added.

**Figure 2**

***Netflix should change its' price broken down by age***



The older consumers are also more likely to pay for their own subscription ( $p < .05$ ,  $r = .519$ ). Those who pay for their own Netflix subscription are older than those who

do not pay for their own Netflix subscription, so they have more autonomy over their account but the price aspect doesn't seem to concern them. This could be due to the fact that older groups have more disposable income and therefore price isn't an issue. Another feature that shows a strong relationship was between price and technology ( $p < .05$ ,  $r = .273$ ). The more comfortable someone is with technology, the less important price is to them. This finding shows that technology can feel like an essential part of someone's life so regardless of the price, it's something that they're going to keep. These types of relationships prove the commitment people have to Netflix despite the changes they are making.

In H3, we hypothesized that consumers' acceptance of commercials on streaming platforms would be predicted by the length of the show, type of content, level of attention, and subscription plan. The results showed that attention level does signify acceptance of commercials, while the type of content does not. There is a significant relationship between the level of attention paid and continuing a Netflix subscription if commercials are implemented ( $p < .05$ ,  $b = .16$ ). The higher the level of attention someone pays to the content they are streaming, the more likely they are to continue their Netflix subscription despite the addition of commercials. This directly contrasts another finding in the study that the more attention someone pays to the content they are streaming, the more important the no commercial feature of Netflix is to them ( $p < .05$ ,  $r = -.169$ ). Respondents who pay more attention when streaming rank the no commercial feature of Netflix higher in importance, but they are still more likely to continue watching Netflix if that feature no longer exists.

In the survey, most people reported a moderate to high level of attention, indicating that streaming is an intentional act. 88% of respondents spend less than 7 hours a week watching Netflix. Rather than streaming for background noise or light entertainment while performing other tasks, people watch Netflix to engage with the content. We also found a significant relationship between selection enjoyment and acceptance of commercials ( $p < .05$ ,  $b = .27$ ). This correlates with the idea that people enjoy the content on Netflix and want to know what happens in the shows/movies they stream. The more they enjoy the shows, the more attention they give the content, and the more likely they are to continue subscribing, despite the addition of commercials. Even though a commercial-free experience is valuable, it is not as important as the variety and selection of content Netflix offers.

While the level of attention was significant, the type of content streamed was not. Respondents were asked which of the five genres they watch the most on Netflix: drama, comedy, romance, action, and mystery/thriller. Drama, comedy, and romance were the most-watched genres. In H3, we hypothesized that the genre could predict consumer acceptance of commercials, but no significant relationship was found.

We asked respondents to rank the following streaming services by most used: Netflix, Hulu, HBO Max, Paramount+, Peacock, Amazon Prime, YouTube TV, and Apple TV. The top four most used streaming services were Netflix, Hulu, HBO Max, and Amazon Prime. The survey found that there is a significant relationship between Netflix being the most used service and continuing a Netflix subscription despite commercial implementation ( $p < .05$ ,  $b = -.17$ ). The higher someone ranks Netflix among the most used streaming platforms, the more likely they are to continue their Netflix subscription.

Netflix seems to have some price elasticity with subscribers who use their platform often.

In the survey, we asked respondents how long they would be willing to watch an advertisement in exchange for commercial-free viewing. The average time respondents would watch a commercial for 15 minutes of uninterrupted programming is around 19 seconds. This result seems much lower than the advertisement-to-content ratio on other OTT platforms.

Other interesting findings are that income, length of subscription, hours spent streaming per week, and consumption of live television were not indicators of consumer acceptance of commercials on Netflix.

## **Discussion**

Our results showed that hypotheses one, two, and three regarding factors for acceptance of commercials including older age demographics, genre variety, and length of program have been quantitatively rejected. They were not predictors of acceptance of commercials. However, in our findings, we concluded that part of hypothesis three where we attributed the level of attention a viewer pays to the streamed content, has a significant effect and was supported. These results can be attributed to the fact that when viewers, regardless of age, become accustomed to the benefits of SVoD platforms it encourages ad avoidance behaviors and our consumption of entertainment. With the prediction of the older demographics not willing to adapt and change their technology habits (Wu 2001), these findings challenged our literature reviews. In regards to younger people being less tolerant of ads (Southgate 2017) that was

supported by our original hypotheses one and two. This was challenged with the direct opposite of our findings for older demographics to be less tolerant. In our case study research with loyal Netflix subscribers that prefer the service over other SVoDs, the company's margin for losing subscriptions when introducing advertisements on the platform is low and customer retention will remain high. Consumer behaviors will re-adapt as they did when first engaging in cord-cutting behaviors and won't be as encouraged to engage ad avoidance behaviors when not given the ability to skip commercials.

When applying the research of consumer perception of OTT ads in the SVoD marketing, factors including length of programs and variety of content selection can otherwise be considered by the SVoD market when integrating advertisements on their platforms. Despite the presence of live television, SVoD platforms are not threatened by the consumer behavior encouraged by cable advertisements or the income levels of subscribers. We found income to be an insignificant factor to subscriptions that supports Netflix's case study of testing different pricing markets to research if the integration of ads was a profitable potential. With their recent announcement they've added 2.4 million subscribers and are soon to join the race of OTT ad marketing to boost profits and compete with other SVOD and OTT services.

### **Limitations and Suggestions for Future Research**

When exploring our research limitations including our exclusion of considering other demographics such as education or professional levels that could affect consumer acceptance of ads. Other limitations in our research include a disproportionate representation in age among our sample. Had we sampled more older demographics

we could have better identified a stronger correlation of older age and advertisement tolerance. To better support our hypothesis one and two regarding older demographics we could of asked more specific questions about the exposure and prevalence of ads a person has had in their lifetime prior to SVoDs. As well the study focused more on other factors such as binge watching and consumption behaviors but excluded culture related outcomes that could directly affect how different cultures interact with and consumer entertainment. Specifically in larger third world markets given their recent adaptation of streaming services in these countries. Considering these external factors outside of our original hypotheses and samples regarding age, they could be further addressed in future research to benefit of the field of SVoD market and influences on viewer's streaming behavior.

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