



Microsoft Advertising Insights

An analysis on the streaming industry: what's changed?



Agenda

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|--|--|----------|--|
| | | 1 | User considerations: budgeting and price vs. available content |
| | | 2 | The importance of content, brand, and partnerships |
| | | 3 | Age demographic breakouts |
| | | 4 | Channel insights (Microsoft Audience Network) |
| | | 5 | Forecasts: what to expect |
| | | 6 | Recommendations |

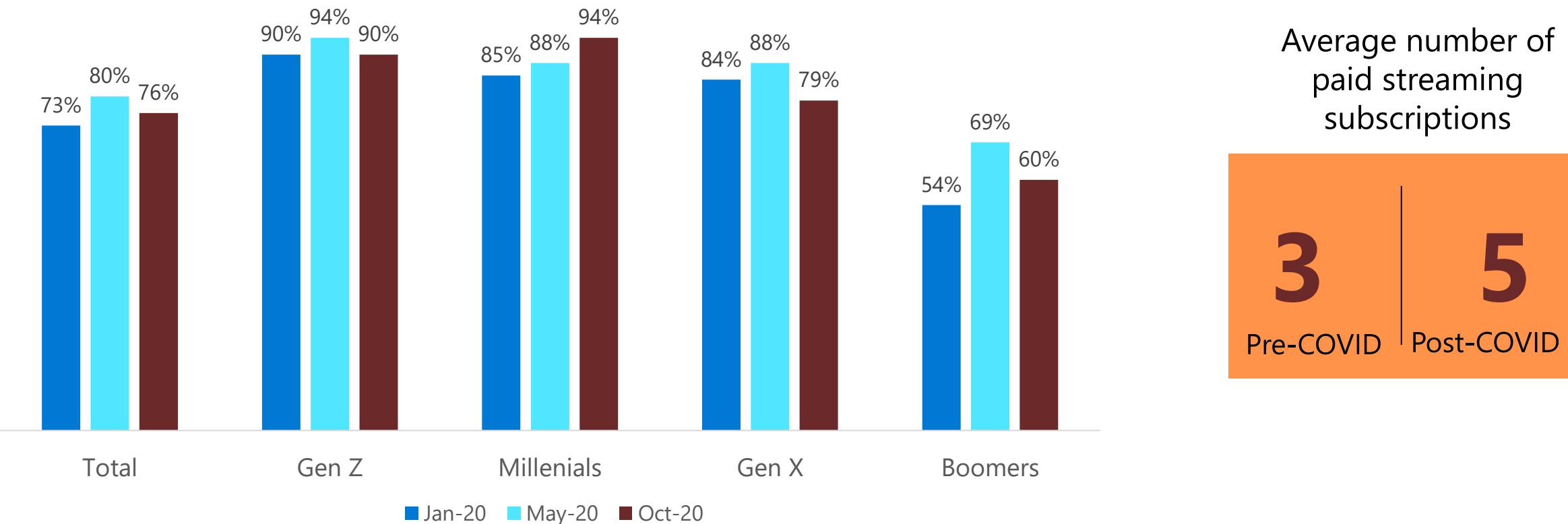


User considerations: budgeting & price vs. available content



Paid streaming penetration has dropped since May 2020, but the average subscriber has increased their services

Percentage of US households with at least one paid streaming video subscription



Consumers now have more streaming video subscriptions, but there has been more churn since COVID-19 began

Changes made to paid streaming subscriptions since the COVID-19 pandemic began

October 2020



May 2020



In January 2020, only 20% of survey respondents had cancelled a streaming subscription in the past 12 months. By October 2020, however, more than 46% had cancelled service(s) in the past 6 months.

■ Added ■ Both Added and Cancelled ■ Cancelled

Users have shifted to become more content-conscious throughout the course of the pandemic

Why did you cancel a streaming service?

Content I liked to watch disappeared from the platform



Lack of live sports



Lack of new content I am interested in watching



I finished watching the show or series that led me to subscribe in the first place



I have access to the content I want via a free, ad-supported streaming service



To replace it with a new paid subscription service



Free trial/discount ended



It was too expensive



■ Oct-20 ■ May-20

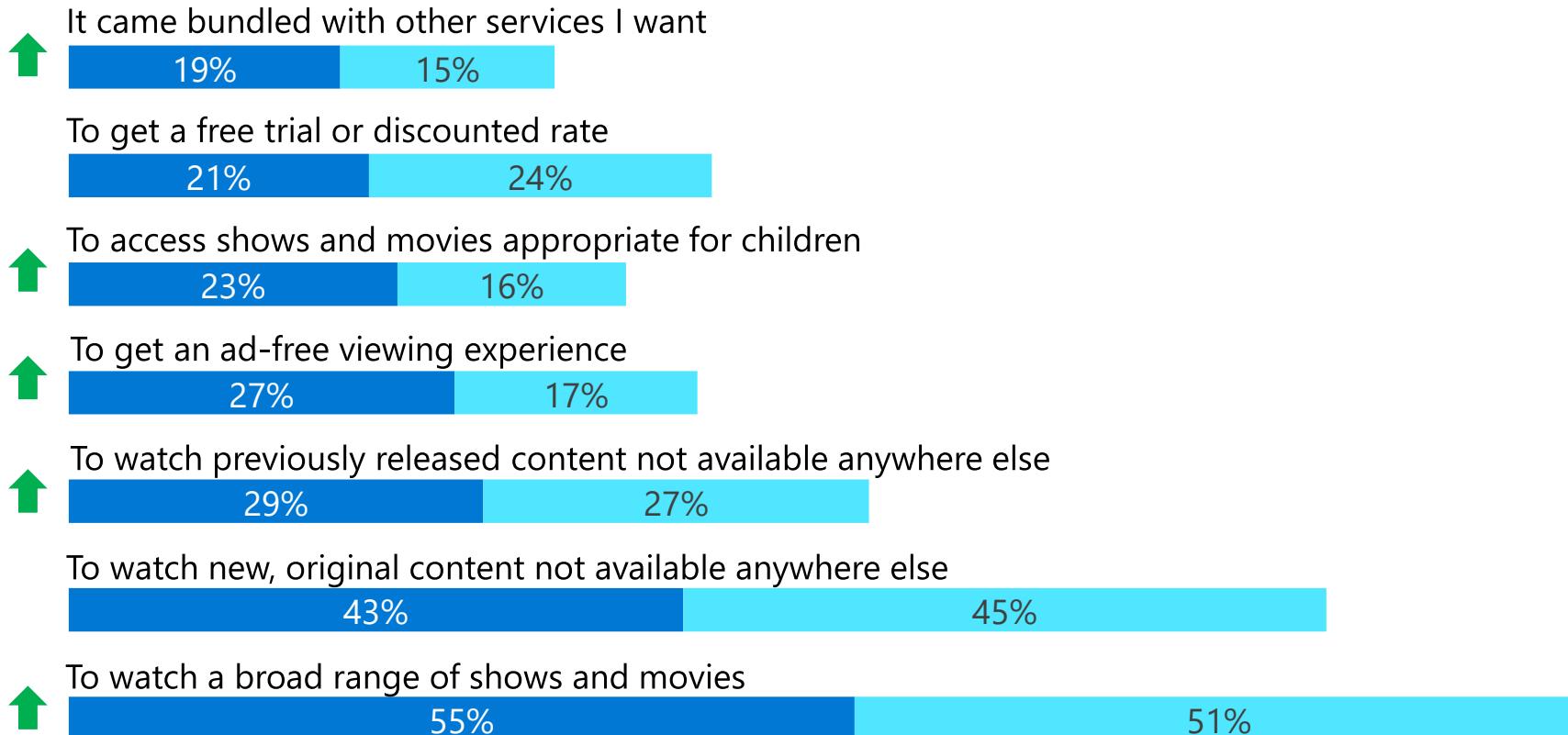
The most common reason for streaming subscription cancellations in October 2020 was cost, followed closely by the free trial or discount deal ending (indicating users are continually cost-conscious)

62%

of respondents signed up to watch a specific show and cancelled after finishing the show

Users are subscribing to new services for broader, new, or exclusive content

Why did you subscribe to a specific service?



■ Oct-20 ■ May-20

Consumers are most likely to keep streaming services with lower cost options or with new and exciting content

What would convince you to stay if you were considering cancelling a subscription?

Being able to switch to a reduced cost, ad-supported version of the service

28%

The release of an exclusive new movie or series I want to watch

27%

The ability to purchase new movie releases the same time they are released in theaters

23%

The ability to add more profiles so multiple people can watch at the same time under the same account

22%

Getting discounts on related merchandise and entertainment

18%

The ability to watch shows and movies together through a social platform

18%

The ability to download and watch content offline

17%

None of the above

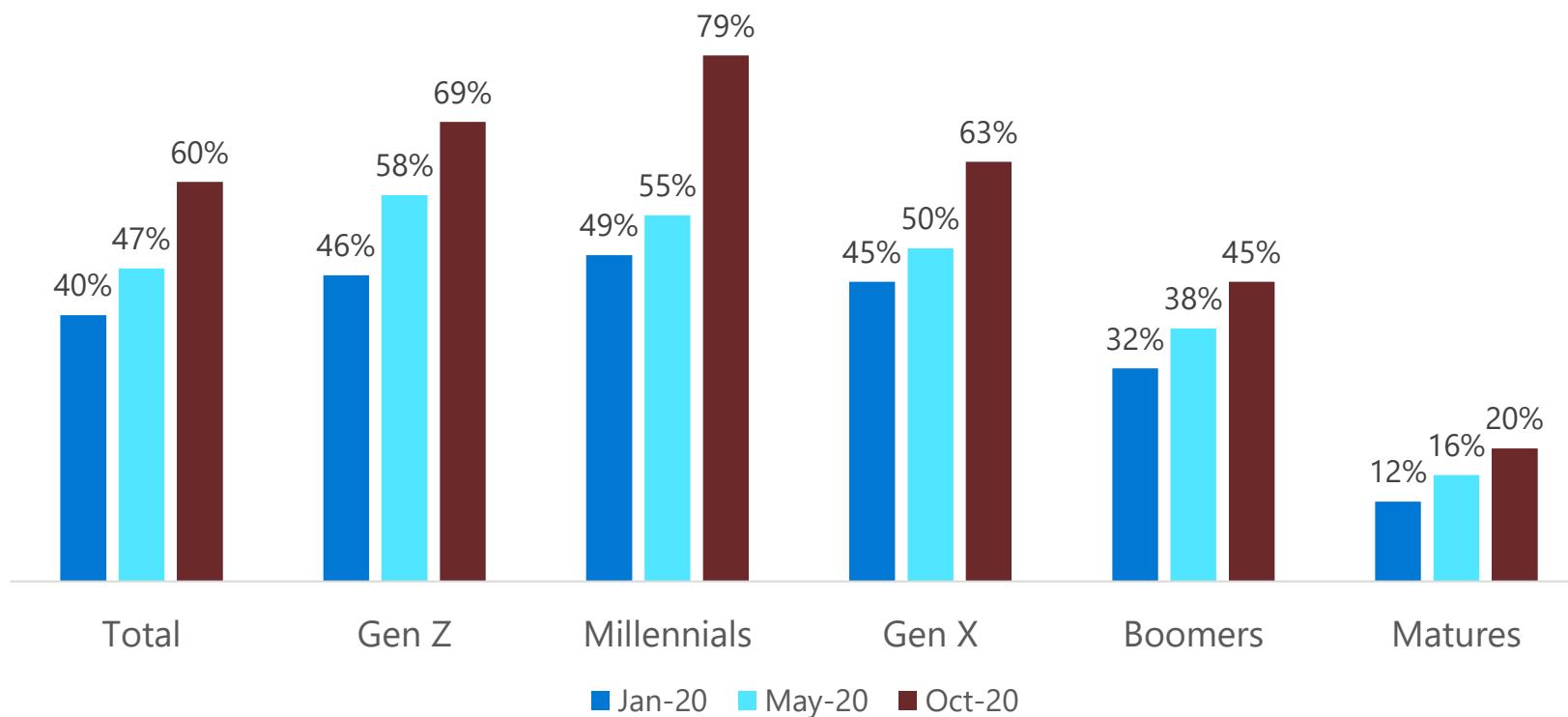
9%



Pro tip: Bid on content terms to capture users looking to consume new available shows and movies

The number of users subscribing to ad-supported services has also increased throughout the pandemic

Percentage of respondents who use at least one free, ad-supported streaming service



The **total** number of people subscribing to **at least one** free, ad-supported streaming service **grew 50% between January and October 2020**

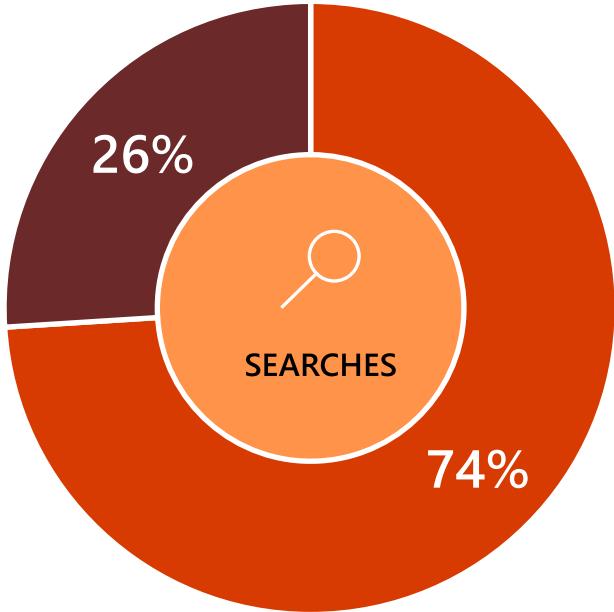


The importance of content, brand and partnerships

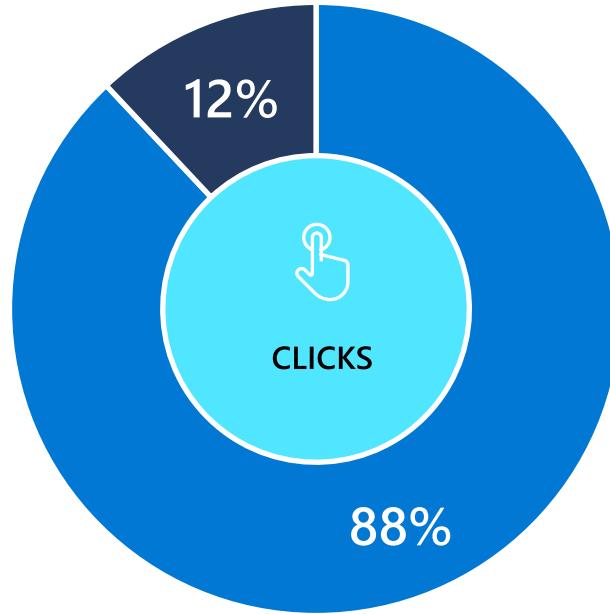
Footnotes



Investment in content search translates to streaming clicks and is integral for many strategies (including retention and acquisition)



Streaming Service Search
Content Search



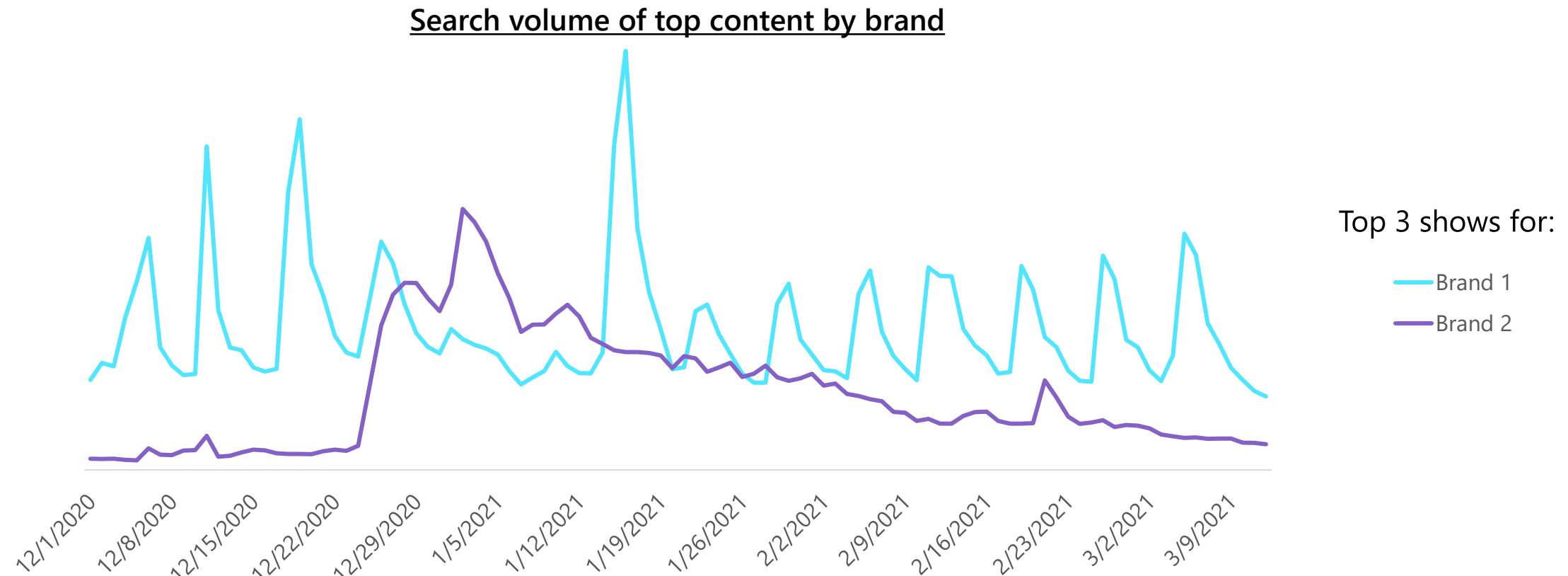
Streaming Service Click
Content Click



Pro tip:

Bid aggressively on content as consumers are discovering where to watch. Use spikes in search volume for when a trailer drops or when a show starts and ends.

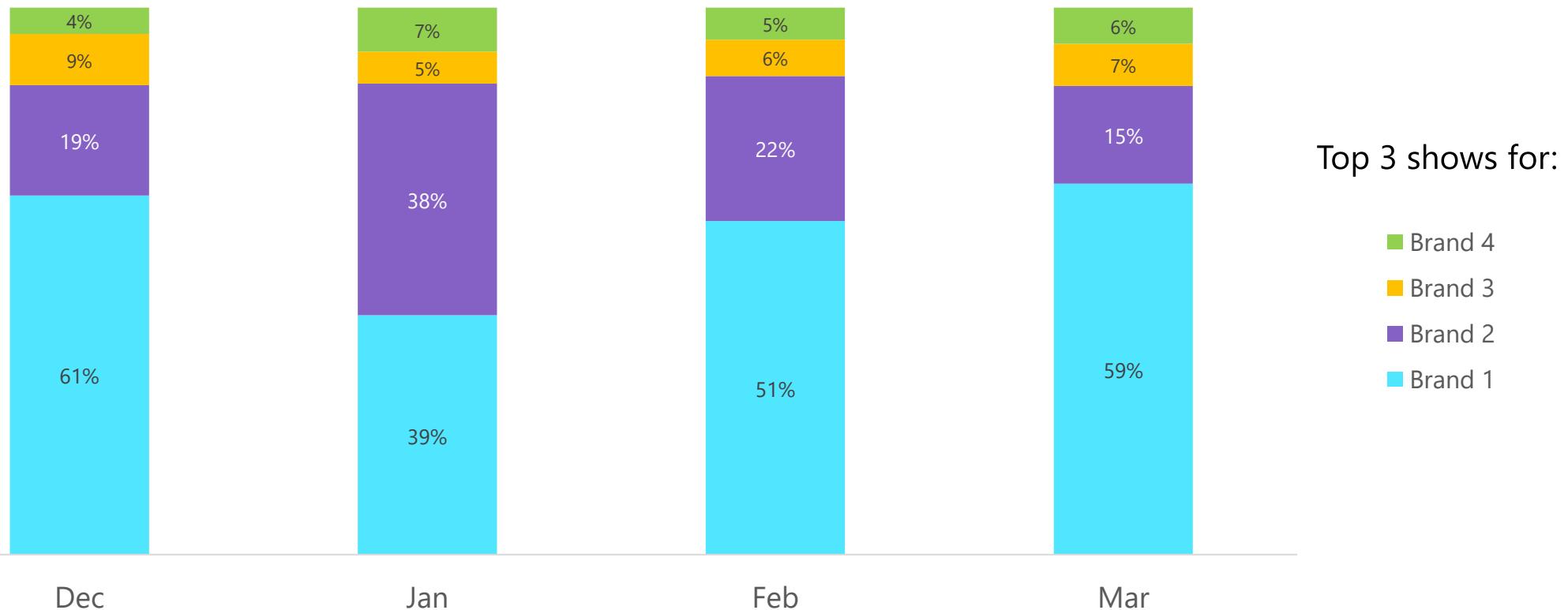
While one brand has seen consistent search volume, a competitor has seen declines since big-ticket titles were released in January



Pro tip: Capitalize on search interest for shows by conquering against current content.

Two key players hold the majority share of voice in the industry and one brand is losing share over time

Share of top three shows/movies by streaming service and month



Partnership announcements with other technology companies drastically increase consumer interest in video streaming platforms

- Brand partnership one launched → **630% immediate rise in searches**
- Brand partnership two launched → **60% immediate rise in searches**
- Brand partnership three launched → **234% immediate rise in searches**



Pro tip: Make sure to advertise any upcoming bundles or announcements and plan for increased user interest.





Age and demographic breakouts in the streaming world

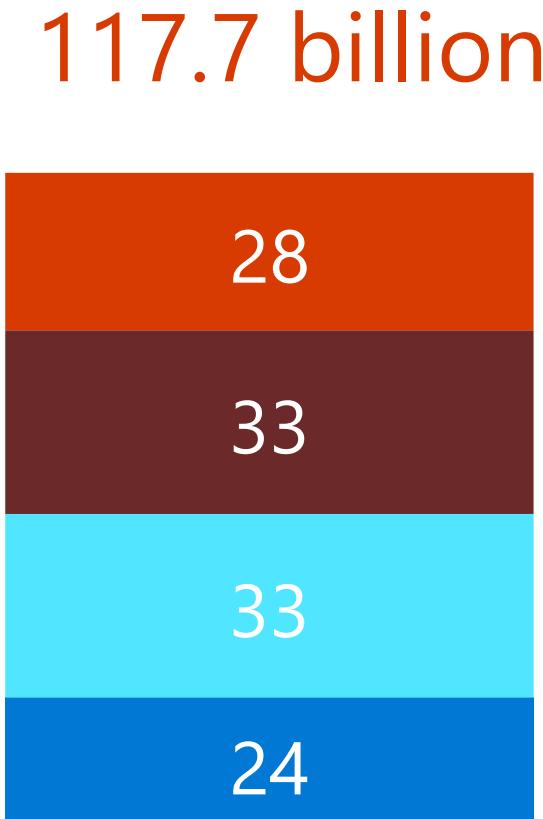
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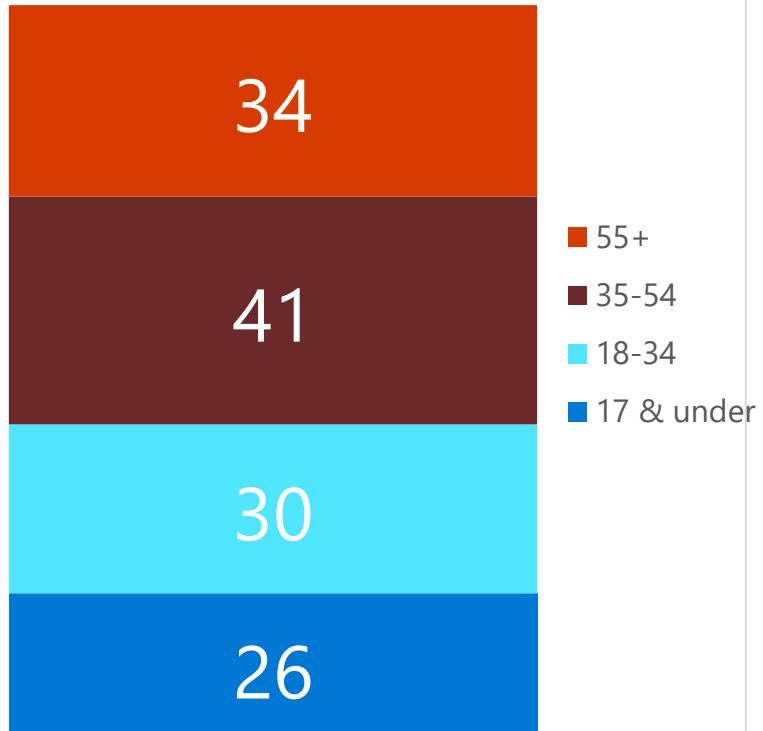
 Microsoft

Older age groups are streaming more than last year

Total streaming minutes (in billions) by age group



117.7 billion



2020

Source: Nielsen, Streaming Meter Homes, Streaming Minutes (Weighted. Persons 2+ Total day. Dec 2020)



Pro tip: reach any age groups with timed content promotion and/or explicit targeting and messaging

Microsoft Advertising is a key player for reaching the growing addressable market of 35+

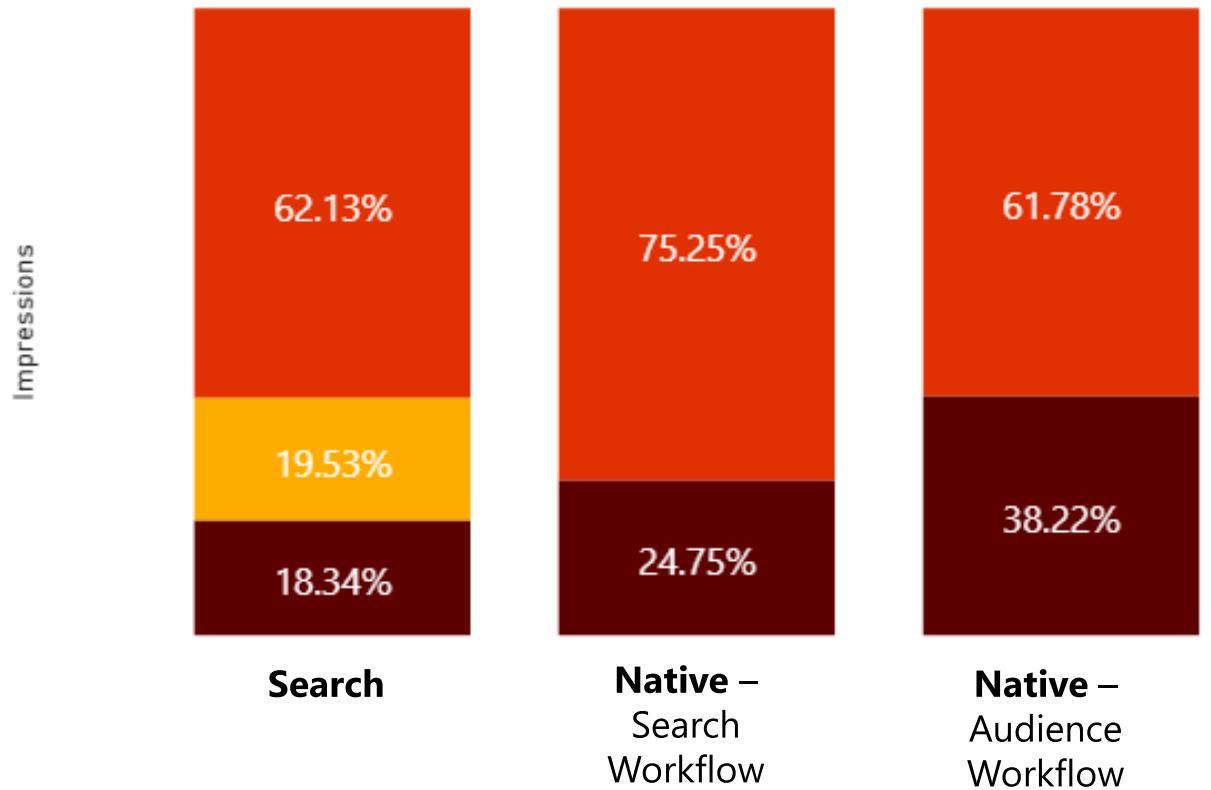


Channel insights



Microsoft Audience Network impressions are more common at the beginning of a consumer journey

Position in Journey • First • Last • Middle

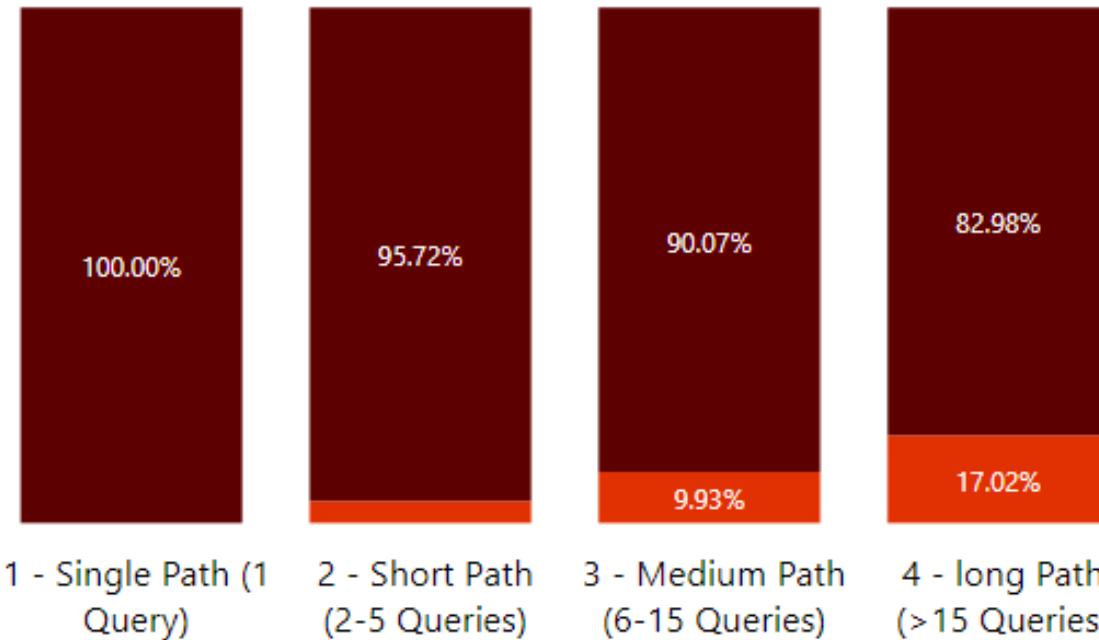


Pro tip: While Search text ads are very effective at capturing a user's last click prior to a conversion, ensure you introduce consumers to your brand and available content via the Microsoft Audience Network, especially for new content launches or product updates.

The more searches a user executes before converting, the larger role native advertising plays

Path Channel Mix ● Search & Native ● Search Only

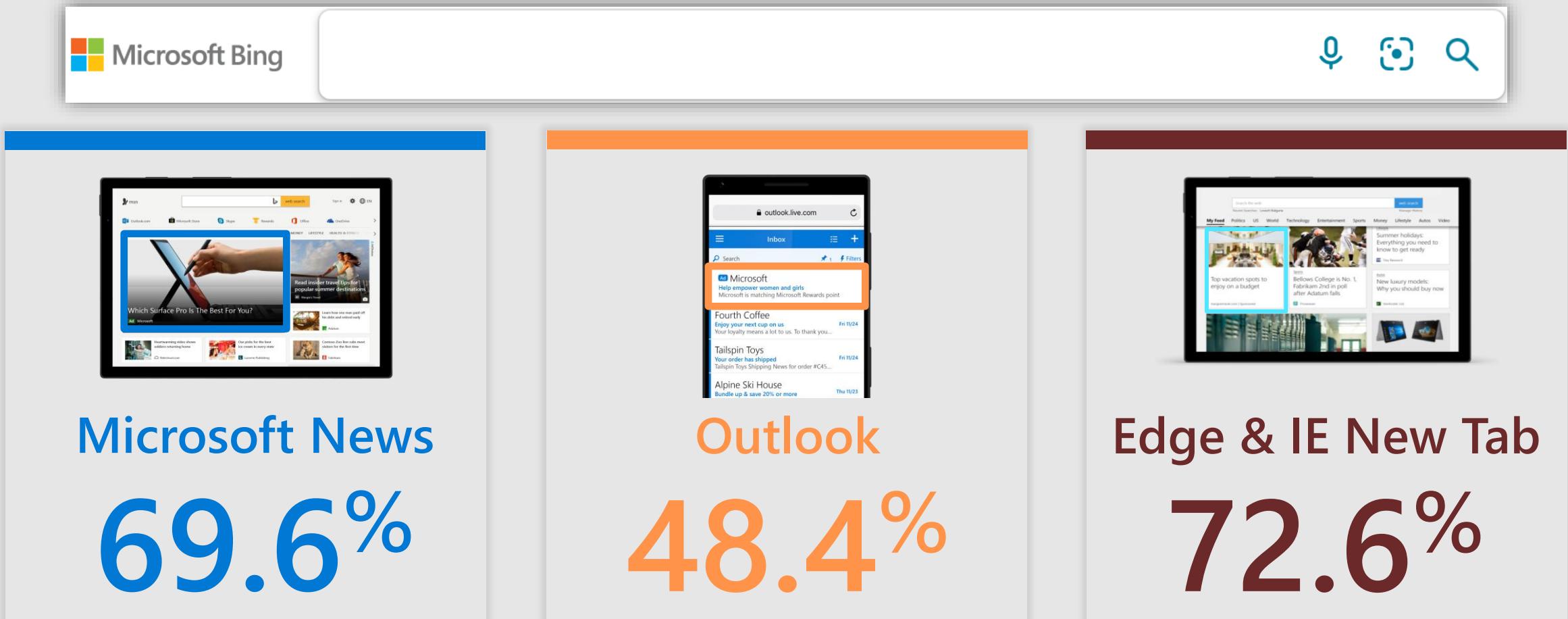
Impressions



Pro tip: Maximize the role Native ads can play in your campaign strategy, especially for new potential users who may need to search multiple times prior to converting.

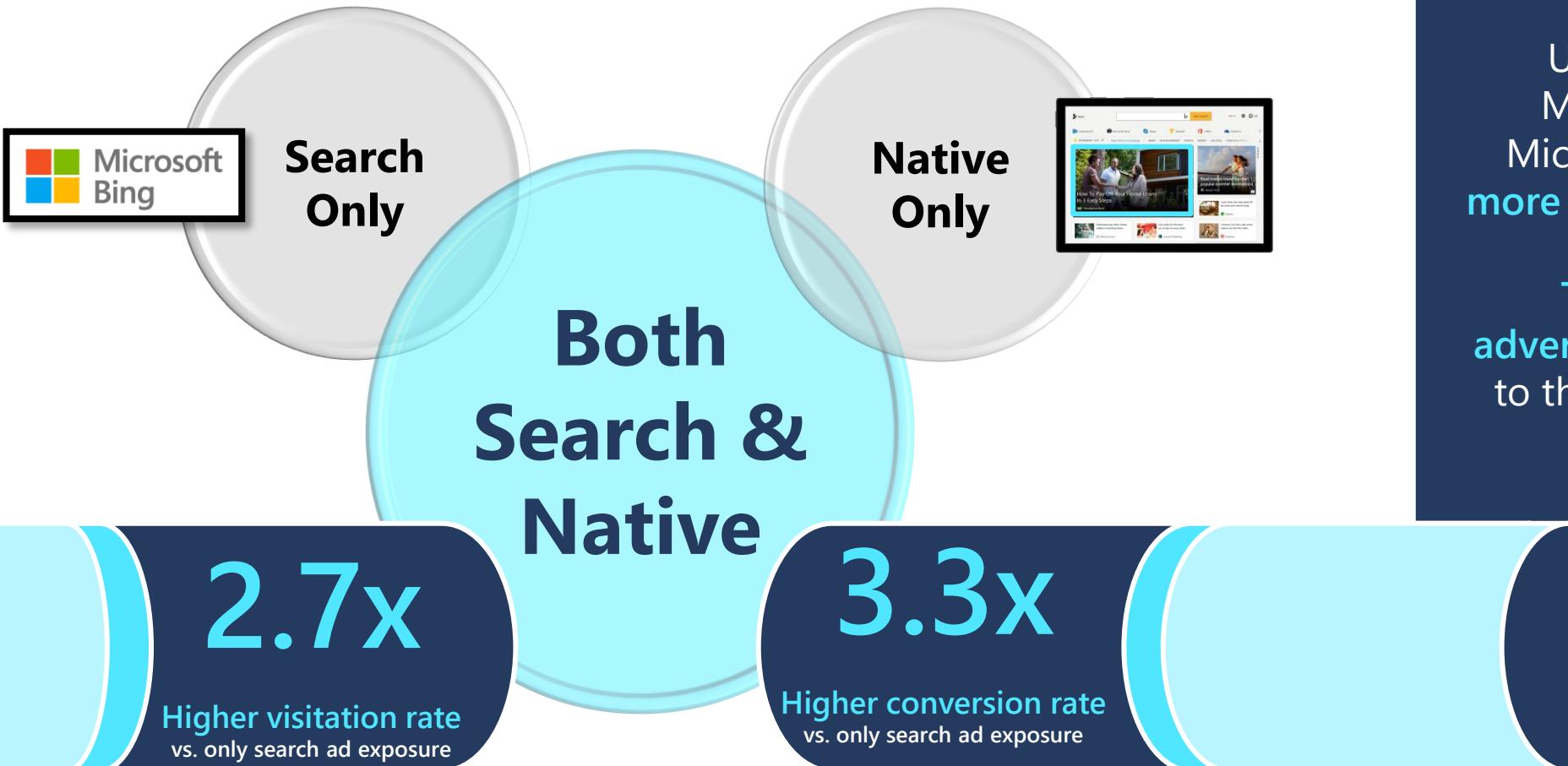
Meet your customer where they browse, e-mail, & search

Percentage of user overlap between Microsoft properties & Bing



Maximize performance by combining Microsoft Search & Native strategies

Technology & Telecommunications Ad Effectiveness Study



Notes: Results may vary for each advertiser based on campaign settings, targeted audiences, and other factors. Lift metrics represent an average of all advertisers with completed lift studies to date (Feb. 2021).

These advertisers may be a non-representative sample of all advertisers on the marketplace. Lift measured between exposed users and a control group of eligible unexposed users, with lift represented on a per-user basis. Average user count per advertiser study = 844K

Users exposed to both Microsoft Search ads & Microsoft Audience ads are **more likely to visit and convert on a Technology & Telecommunications advertiser's website** compared to those who are exposed to only one type of ad.



Users exposed to Microsoft Audience ads engage with streaming brands at a higher rate

Technology & Telecommunications Ad Effectiveness Study



AWARENESS

2.3x

Lift in brand awareness per user, measured by post-exposure brand search rate

CONSIDERATION

5.0x

Lift in brand consideration per user, measured by post-exposure domain visit rate

CONVERSION

4.3x

Lift in brand purchase per user, measured by post-exposure conversion page visit rate

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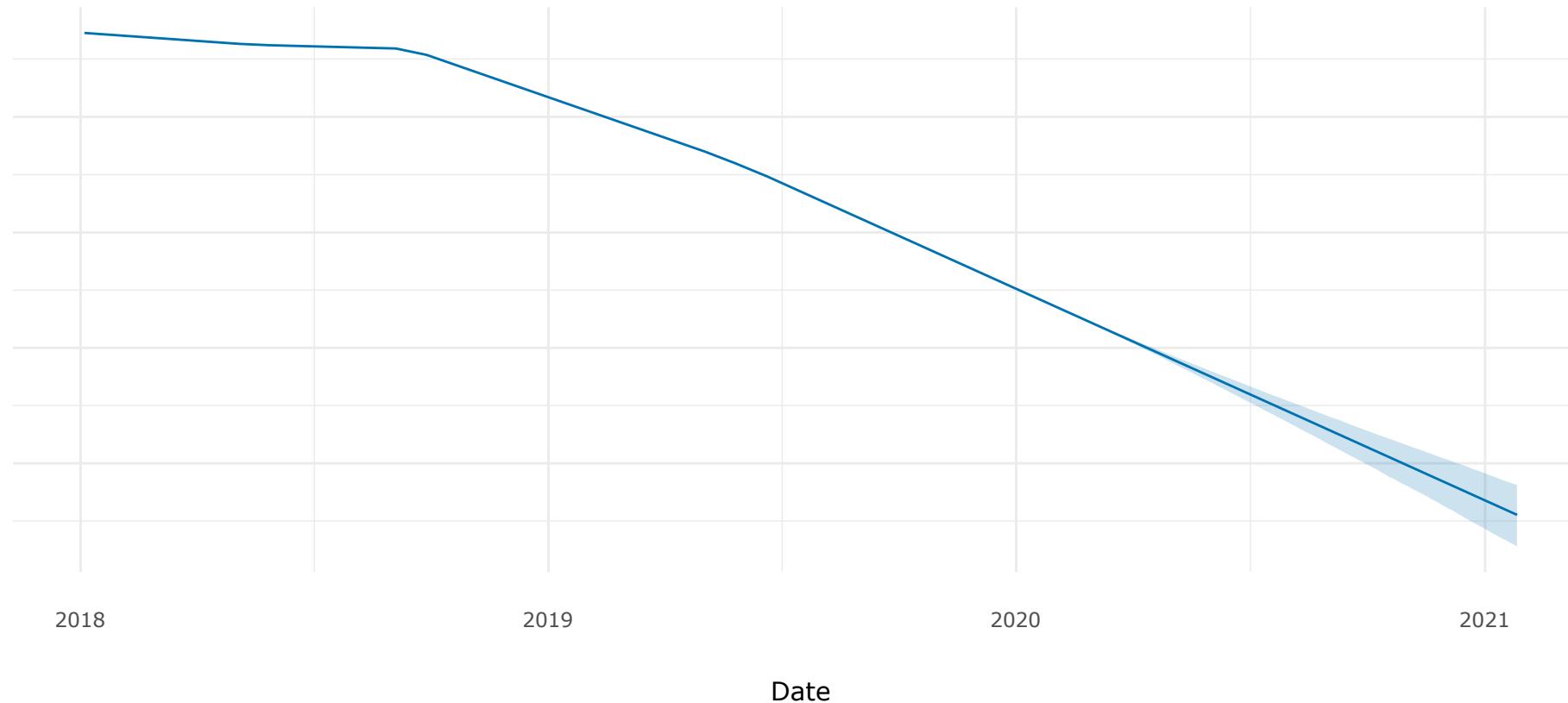


Forecasts: what to expect going forward

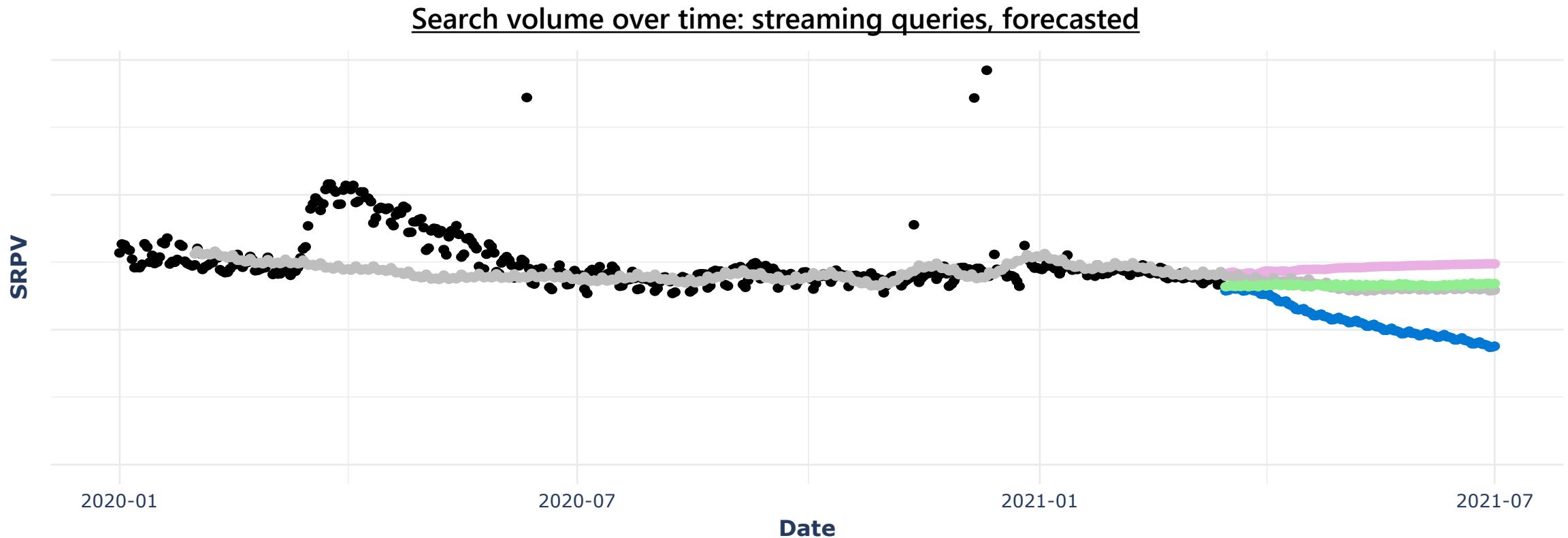


Before the pandemic, streaming searches were projected to decrease

Streaming search volume trends: pre COVID-19



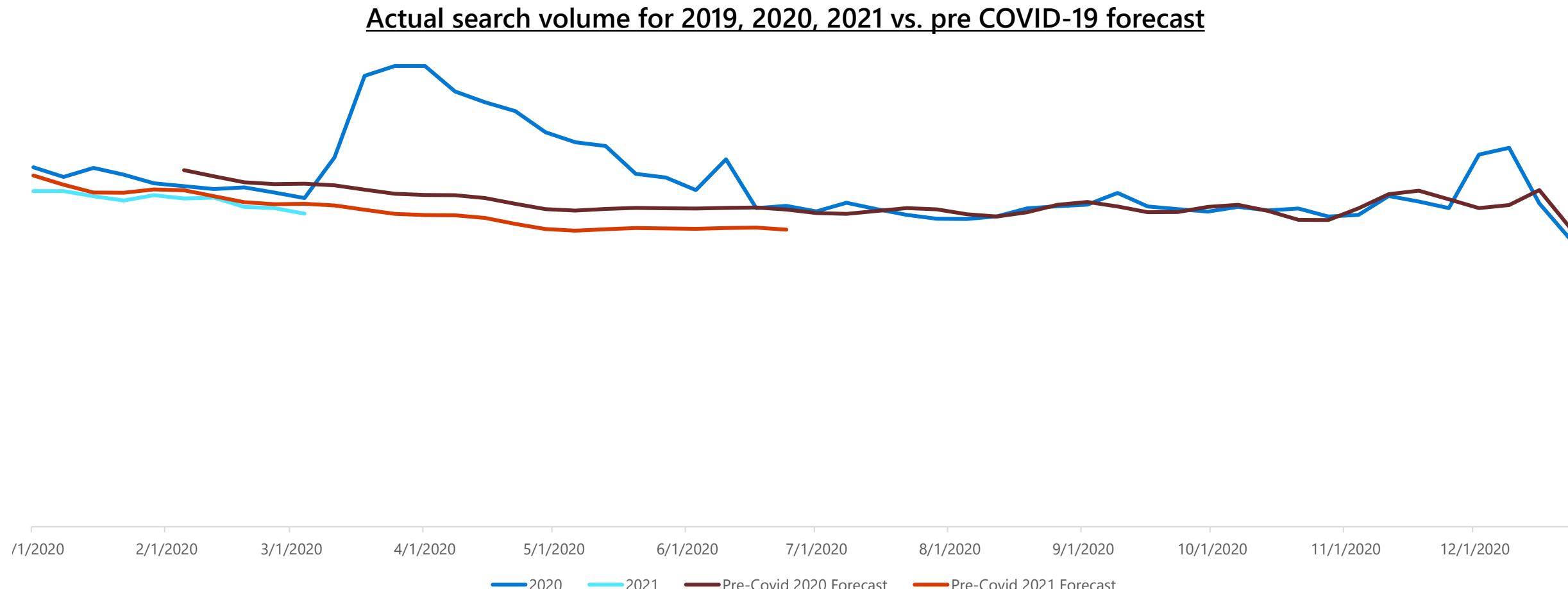
Since COVID-19, streaming search volume is now expected to remain consistent with 2020 search volume



Black shows actual searches, **grey** is the expected searches without the effect of COVID, **pink**, **blue** and **green** are three unique methods of forecasting searches based on the effect of COVID

Green – COVID heavy-weighted forecast
Pink – Uses COVID data but puts less weight on it compared to the green model
Blue – COVID aware but puts less weight compared to the green model and will have more sensitivity to variance on shorter time frames than the pink model

Streaming related search volume outperformed the original (pre COVID-19) 2020 forecast by 7%





Key takeaways and recommendations for streaming service clients

Footnotes



Key takeaways



Consumers are both adding and cancelling streaming services more often

Prior to COVID-19, the average user had 3 paid streaming services. That number has now risen to 5, however, cancellation rates have also risen from 20% to 46% in a few short months.

Consumers are drawn to platforms with lower cost options or new content

Consumers were most influenced to stay when they were:

- 1) able to switch to a reduced cost, ad-supported version of the service.
- 2) Introduced to the release of an exclusive new movie or series from that service.

Investment in content search translates to streaming clicks

Investment in content related searches is integral to many strategies such as retention, brand awareness and acquisition. Consumers universally search for both streaming brands and content in search paths.

Older age groups are streaming more than last year

Total streaming minutes increased from 117 billion to 132 million in the last year. The age group with the largest increase was 35-54 and audiences under 35 are actually streaming less than they were a year ago.

Streaming volume is expected to remain consistent with 2020 data

Prior to COVID-19, search volume for streaming services was expected to decline. However, actual search volume outperformed the original forecast by 7% and is expected to continue growing.

Recommendations for streaming services



The new and changing streaming landscape requires re-evaluation of current strategies

Utilize Native for Search Lift



The more searches a user makes before converting, the larger a role native plays. Maximize the role native ads can play in your campaign strategy and reach users searching for content or non-branded terms using the Microsoft Audience Network to influence their post-exposure likelihood to search for your brand.

Conquest & Expand Keywords



Continued introduction of new services, shows and movies creates confusion. Conquest on peer brand keywords and content as searches between brands and popular shows are correlated. Use trailer drop dates and show start and end dates. Take advantage of spikes in peer content volume to promote similar content.

Budget Timing & Brand Awareness



Plan your budget around content releases and general streaming seasonality – users start searching more heavily when there is new content coming up. Build brand awareness by incorporating Microsoft Audience Network and conquering on competitor content terms.

Consider Demographics



The addressable market is growing. Our network is uniquely positioned to reach the growing addressable market of 35+. Brand awareness, retention, & acquisition are significant opportunities: All age demos should be targeted uniquely.

Account for the New Landscape



The landscape has changed significantly in year. Reevaluate legacy marketing strategies. New streaming services and direct-to-streaming theatrical releases alter the flow of the OTT space and require increased attention to fresh content and consumer behavior.

To get actionable data, insights and best practices to help make decisions and grow your business, visit MicrosoftAdvertising.com/Insights

