SAMSUNG Ads

U.S. Only

The Streaming Index

Retention Rules

The Streaming Index

Samsung Ads is offering an in-depth view into the streaming trends and viewer motivations that matter most.

Summary

Streaming has become the top choice for TV viewing. On a year-over-year basis, we've seen time spent with streaming increase by 31%. At the same time, the available audience of new streamers is declining–the percentage of new user share among an app's active user base is down -12% year-over-year. The focus must shift to retaining users. Rich audience insights will help TV app marketers focus on targeted messaging to start the long game of audience retention and loyalty.

Retained users are key to app growth.

53% of an app's active user base is retained users. These users represent over 70% of an app's viewing time.

Streaming services are competing for extremely limited shelf-space.

Nearly half of streamers say they have access to 4 or more streaming services but 62% say they use 3 or fewer services on a regular basis.

HVOD is the future.

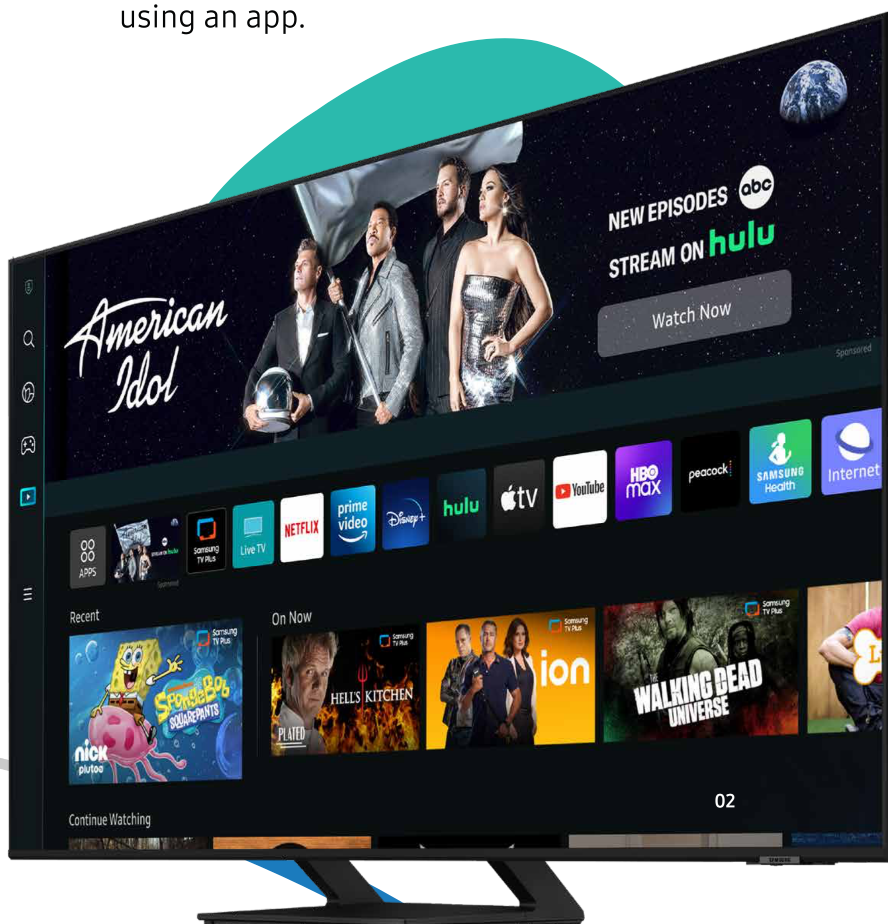
Hybrid VOD services - those with tiers of pricing and ad load - have greater retention.

In any given month, nearly half of an app's active users are at risk of churning.

On average, churned users are 7x the size of an app's active user base.

The current economic climate is causing streamers to be more cost conscious.

A service being free or low cost is the #1 reason why streamers will try a new app. A service being too expensive is the #1 reason why streamers will cancel or stop using an app.



Methodology

For this analysis, the universe is TV apps on Samsung Ads' 45 million opted-in* U.S. Smart TVs.

Included are ad-free subscription-based (SVOD) apps, ad-supported (AVOD) apps and apps that offer both an ad-free and ad-supported subscription tier (HVOD).

Excluded are: apps with an exclusively transaction-based business model (TVOD); and apps that fell below a minimum threshold to provide meaningful results.

The analysis focuses on four metrics, each calculated based on the monthly average for Q3 2022 — with comparisons to Q3 2021:

New User Share

The percentage of active TV app users in a given month who have not used that app in the previous year.

Retained User Share

The percentage of active TV app users in a given month who have used the app in the previous month.

Returned User Share

The percentage of active TV app users in a given month who had used the app sometime in the past 12 months but did not use the app the previous month.

Churn Ratio

The Churn Ratio compares an app's churned users - the number of users who have used the app in the 5-12 month period prior to the current month, but not since - to the active user base of that app for the current month.

*Denotes Samsung Smart TVs wherein the user has opted-in to receive interest-based advertising

Methodology

We supplemented behavioral insights on Samsung Smart TVs with an attitudinal survey to shed light on motivations. One thousand owners of Samsung Smart TVs in the U.S., who are also streamers, agreed to be surveyed in Q4 2022. The marketing opportunities for large TV apps are different from those with smaller audiences; and different for TV apps with subscription-based (SVOD & HVOD) business models compared to those which are ad-supported (AVOD).

To differentiate between these apps, we have divided TV apps into three "tiers":

Tier 1: The **top 20%** of apps based on average monthly user count

Tier 2: The **next 20%** of apps based on average monthly user count

Tier 3: The **60%** of apps with the smallest average monthly user count

In addition, we distinguish between TV apps' business models:

SVOD (Subscription video on demand): Viewership of video content through a service that requires a paid subscription. Often this model does not have advertising, and funding is secured through subscription fees.

AVOD (Ad-supported video on demand): Viewership of video content through a service that requires no, or a reduced paid subscription, and is instead funded by advertising.

HVOD (Hybrid video on demand): Viewership of video content through a service that offers an option of subscription services at different price levels. Some levels have advertising while others do not.

Introduction

The final months of 2022 mark a pivotal moment in television. Streaming has become the clear future of TV as Americans continue to shift their viewing away from pay TV and the broadcast and cable networks.

Yet the pandemic streaming flywheel, in which consumers adopted streaming while staying at home and media companies created new streaming services to support demand, has created a glut of subscription options. In the inaugural publication of this report, we detailed how this adoption of streaming has made it difficult for the largest services to find new users.

Now, as viewers settle into streaming habits and inflation puts pressure on their budgets, Americans are evaluating how many services they subscribe to, and how much they want to pay for them. It is time for streaming services to shift their focus to retention.

Ad-supported streaming, including linear options via free ad-supported streaming services, has grown in popularity, and now accounts for more viewing time than ad-free, subscription video on demand.

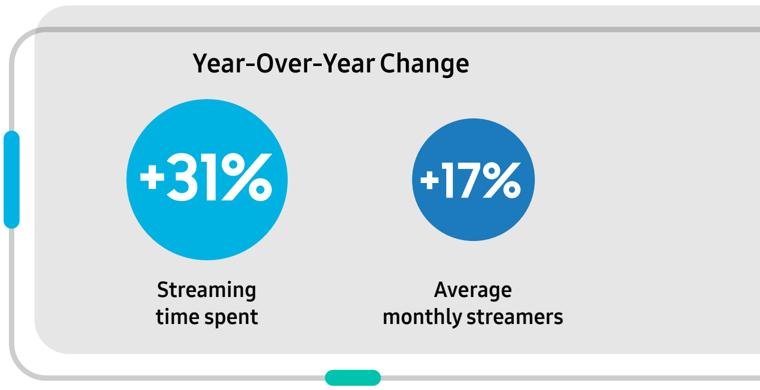
In response to all of these factors a new, hybrid video on demand app model has taken hold. HVOD apps offer consumers more choice by incorporating an ad-supported tier at a free or reduced price. By the end of 2022, every major streaming service will offer consumers an ad-supported subscription option. The hybrid model works to attract consumers based on their interest, engagement, and willingness to pay. As streaming services vie to be one of the limited number of go-to apps that consumers use, the wide adoption of the HVOD model marks an important turning point in the evolution of streaming.

This in turn poses a marketing challenge to TV app creators and marketers. They must now pivot from audience acquisition, to focus on retention and engagement–their ticket to building robust audiences and increasing lifetime viewer value.

As streaming matures, user retention is key

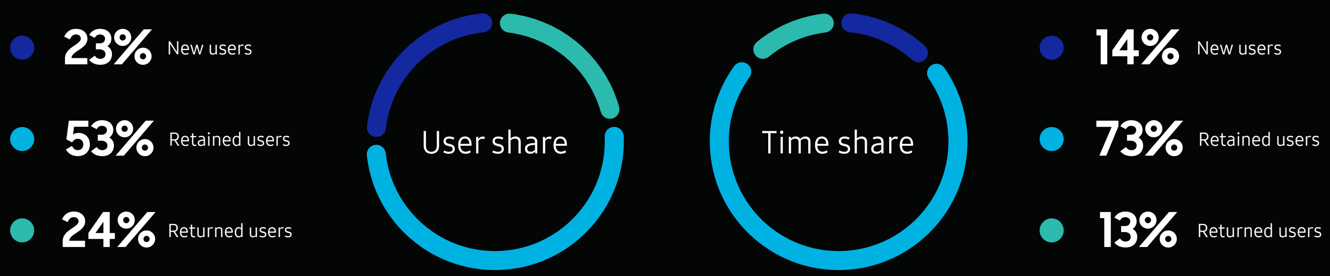
With nearly all Samsung households now watching streaming content, growth for this sector will come from increased usage and time spent. Indeed, our data show that viewers are streaming more regularly and for more time.

In the third quarter of 2022, the average monthly number of streamers on Samsung Smart TVs increased by +17% versus the year prior. Time spent with streaming content increased by +31%. This growth in audience is great news for streaming services.



But with the continued increase in streaming choices, acquiring and retaining loyal users becomes more challenging.

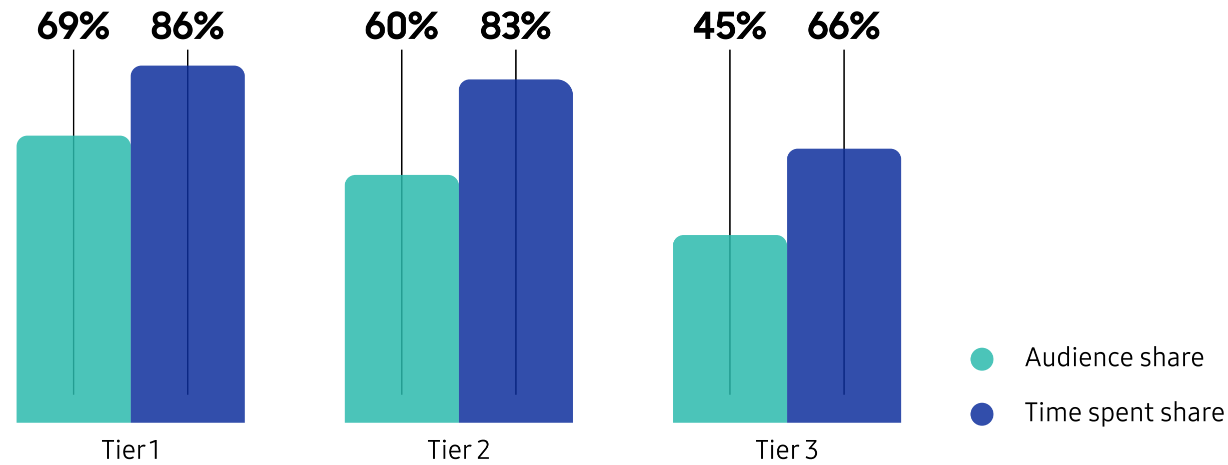
Streamers are settling into regular viewing patterns. On average, 23% of streaming services' active monthly users were new in Q3. This is a decline of -12% compared to a year ago. Just over 50% of users are retained users - watching at least once a month each month. This is a key audience for services as these viewers account for nearly three-quarters of an app's total monthly viewing time.



For Tier 1 apps, retained users are even more important. They represent 69% of the user base and account for nearly 90% of the viewing time.

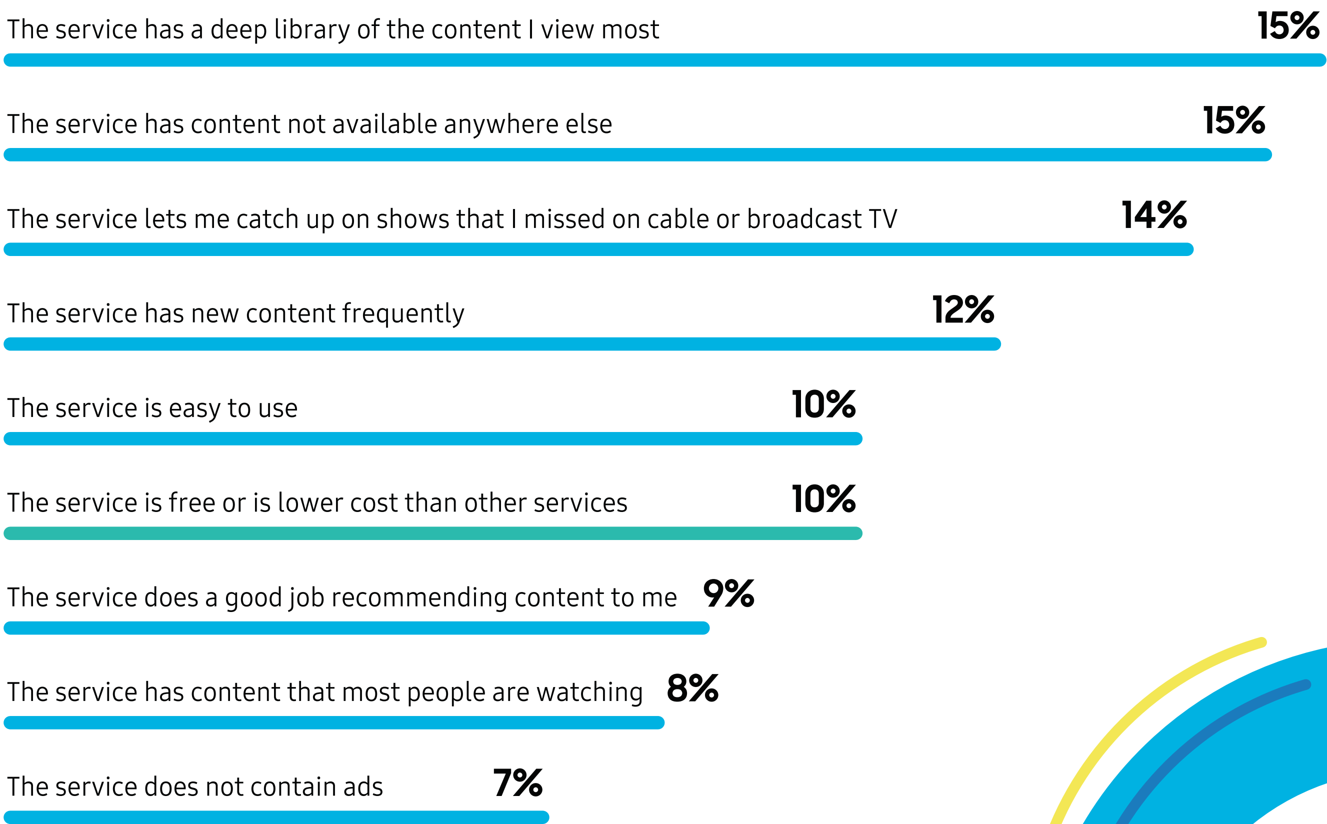
Source: Samsung Ads Proprietary ACR, U.S. Only

Retained users



How do streaming services keep users engaged with their app?
Content remains the key driver of engagement, but cost is emerging as a factor that's just as important as frequency of new content and ease of use.

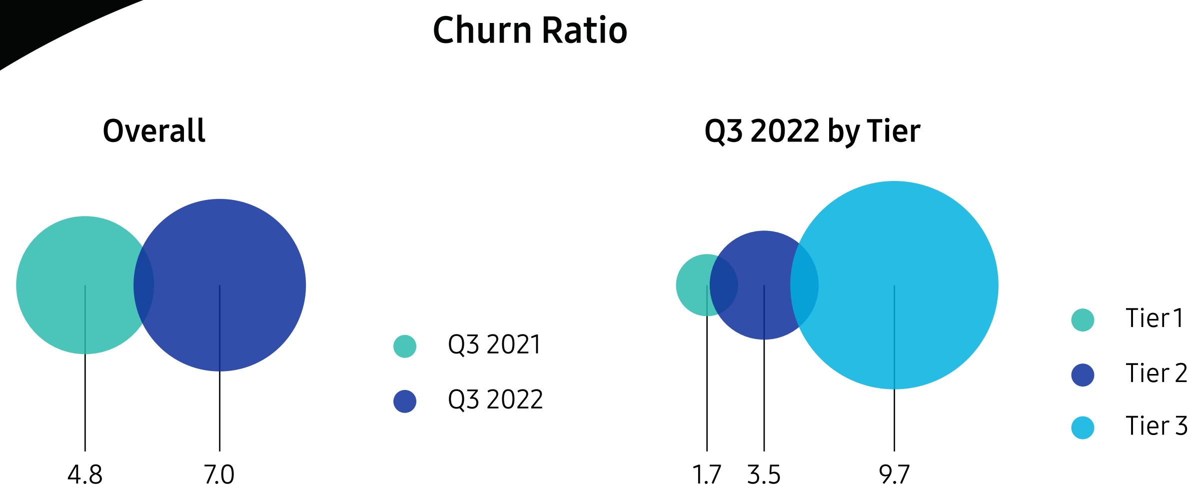
Reason why a streaming service is used more than others



Consumers are still looking for their go-to apps

On linear television, viewers regularly watch 15-20 channels. In streaming, competition for viewers is much more fierce. Nearly half of streamers report that they have access to 4 or more streaming services but 62% say they use 3 or fewer services on a regular basis. User acquisition is just the first step in audience development. Streaming services must compete to become one of the few apps that viewers watch on a regular basis. Once acquired, as we see above, retaining those viewers leads to significant consumption and value.

To get a sense of just how much audience is flowing in and out of apps, we calculate a Churn Ratio. The Churn Ratio compares an app's churned users - the number of users who have used the app in the 5-12 month period prior to the current month, but not since - to the active user base of that app for the current month. In Q3 2022, across all streaming apps, the Churn Ratio was a 7: seven times as many users have churned out of an app than are currently using it. Underlining the increasing competition in the space, this figure is up +46% compared to a year ago.



The largest of apps (those in Tier 1) have a significantly lower Churn Ratio – 1.7 – but this is up +27% versus last year.

Source: Samsung Ads Proprietary ACR, U.S. Only

The Birth of HVOD

Just as the pandemic was instrumental in accelerating viewer preference for streaming, the current recessionary economic environment is playing a role in the decision streamers make in sticking with or trying new services.

When it comes to deciding which services to try or cancel, cost tops the list and has become even more important over the past year.

Cost is even more of a factor when a streamer decides to cancel or stop using a streaming service.

Over the past year this has become significantly more of a reason with 49% more streamers stating this as the #1 reason to cancel.

#1 Reason to TRY a new streaming service

21% The service is free or has a low cost

#1 Reason to CANCEL a streaming service

30% Service is too expensive

Top reasons to TRY a new streaming service

- **18%** The service has original content that I can't get anywhere else
- **16%** The service has content I normally watch on cable or broadcast TV
- **15%** I can download the service as an app on my TV without connecting another device
- **13%** The service comes packaged at no cost with another product or service I purchased
- **9%** My friends talk about and use the service
- **8%** I see Ads or promotions for the service

Top reasons to CANCEL a new streaming service

- **18%** New content is not as frequent as other services
- **16%** Service is too difficult to use
- **11%** Not enough original content I can't find anywhere else
- **10%** I've viewed all the seasons of a particular series and will re-subscribe when a new season premieres
- **8%** Service doesn't have an app I can download to my TV
- **8%** Doesn't have enough library content for the genres I watch most

Source: Samsung Ads U.S. Streamer Survey, Q4 2022.

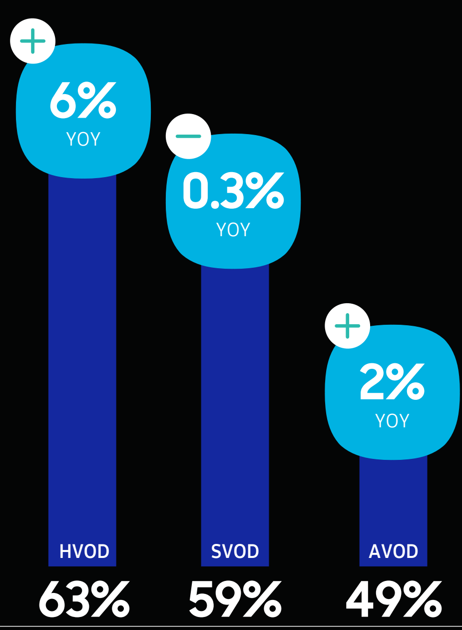
This economic pressure on viewers' budgets coincides with a growing adoption of ad-supported streaming. In Q2 of 2022, ad-supported VOD (AVOD) consumption surpassed SVOD for the first time. Enter the hybrid VOD service. HVOD services offer a "hybrid" of economic options for users, from more expensive ad-free tiers to lower-priced or free tiers that include advertising.

By the end of 2022, all of the Tier 1 apps will be HVOD. While user acquisition likely drove the adoption of ad-supported tiers by these apps, the HVOD model also supports retention. Giving consumers a choice of subscription tiers is proving to be more successful at keeping users coming back on a monthly basis than a one-size fits all, SVOD or AVOD only model. This will become more pronounced if inflation continues to weigh on consumers and they evaluate the number of services that they pay for on a monthly basis. This sets up the future of the streaming wars as a balancing act of content and price.

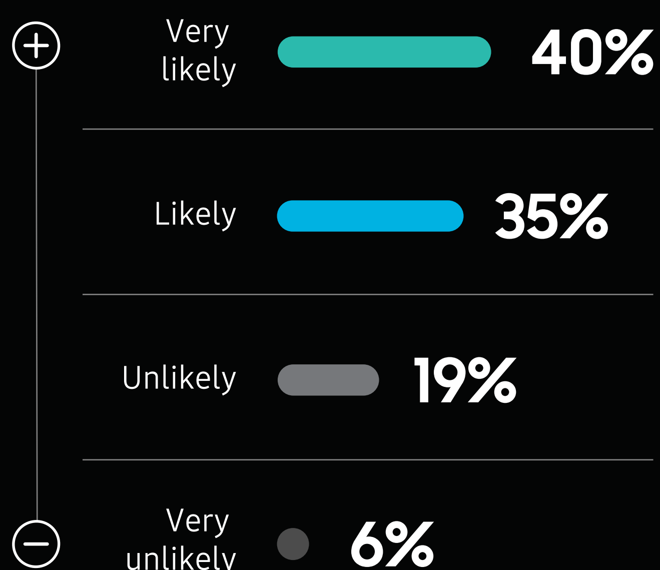
The HVOD services that we analyzed have a retention rate of 63% of their active audience, growing 6% year-over-year. Both AVOD and SVOD-only services (offering only one subscription tier) have lower retained user shares.

When asked, three-quarters of streamers who subscribe to an ad-free service would switch to a lower priced, ad-supported option if given the option.

Retained user share



Likelihood to switch to lower priced ad supported subscription

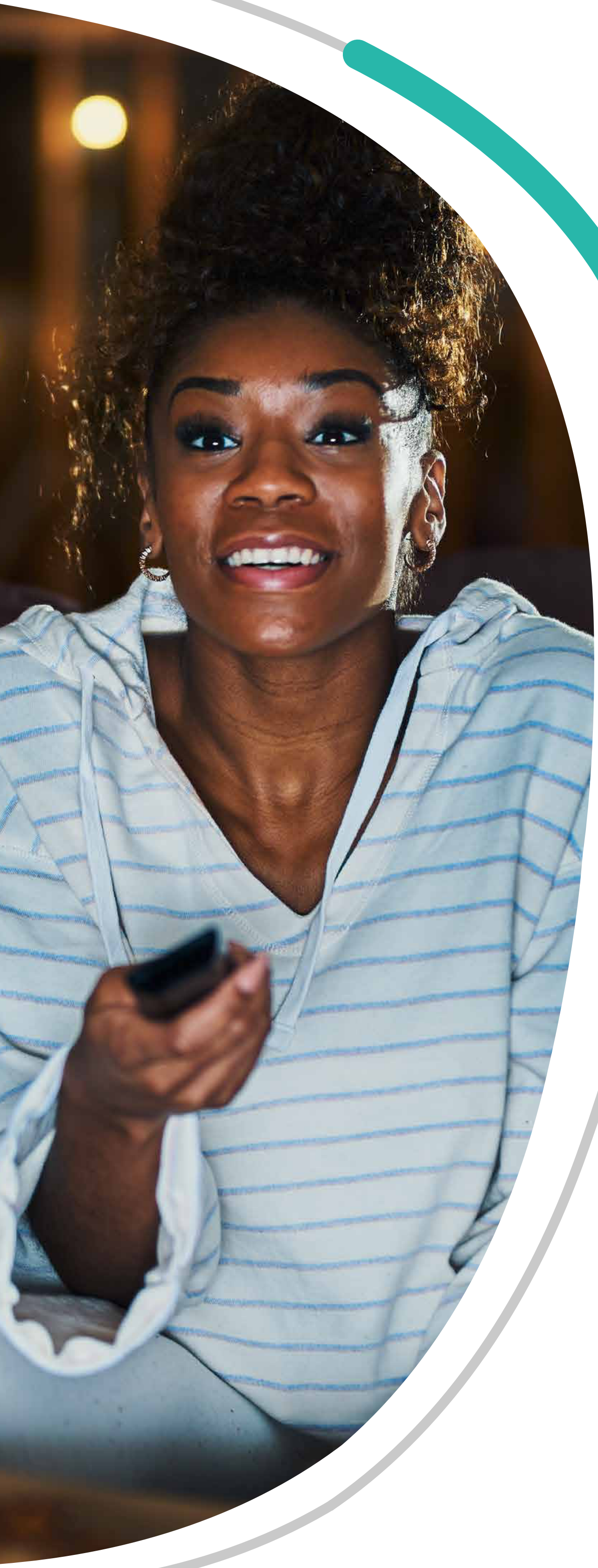


Samsung Ads Proprietary ACR, U.S. Only. Samsung Ads U.S. Streamer Survey, Q4 2022.

What you should be doing right now

The future for streaming is robust but streaming services have a slew of challenges to tackle in 2023. As TV's streaming era matures, viewer retention has emerged as the latest battle in the streaming wars. Here are the actions TV app marketers should take to get ahead in 2023.

	Challenge	Action
1	Retained users are key to app growth.	Acquisition is just the first step for app marketers. Target new and lighter streamers often to keep them engaged with your content.
2	Competition is fierce — consumers have just 3–4 go-to apps.	Be sure to remain top of mind to your users. Continue to message the value of your service even after the app discovery process.
3	In any given month, nearly half of an app's active users are at risk of churning.	Identify at-risk users and target them with your differentiated value and offers. Target light users with messages to encourage increased app engagement.
4	Streamers have access to more apps than they choose to use on a regular basis.	Give new and existing users reasons to open your app first. Ensure that your app is present and easily accessible and don't rely solely on content awareness to drive opens.
5	Streamers are open to ads if that means saving them money.	Give users pricing options so they switch **within** your service instead of churning out.



About Samsung Ads

Samsung Ads is an advertising ecosystem spanning hundreds of millions of smart devices across TV, mobile, and desktop. With the largest single source of TV data in the market, we not only have more, we have double the TV data scale of the next largest competitor. Our unrivaled understanding of consumers, powered by exclusive Samsung data and insights, drives more engagement and delivers more results. With Samsung Ads, advertisers can achieve reach, scale, and precision in every connected moment.

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