Ad Receptivity: A New Metric for Improving Efficiency.

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As technology reshapes how audiences watch entertainment, Hulu is reshaping how advertisers engage with those audiences. Hulu commissioned this research to measure the pervasiveness of ad avoidance, what drives it, as well as to identify opportunities to maximize engagement for advertisers and viewers.

The research covers two waves of quantitative and qualitative research that both define viewers’ ad receptivity and bring it to life.
Sampling

- General population online survey
  - Phase 1 – Fielded March 2015
  - Phase 2 – Fielded December 2015

- To qualify, all respondents had to:
  - Be between the ages of 13-54
  - Have no one in the household employed in research, TV, or advertising
  - Watch 4 or more hours of TV in the past 7 days

- Nested quotas were set for age and gender within region to ensure a sample representative of the 13-54 population according to the US Census.

- Sample balancing weights were used to combine the general population and Hulu User oversample.
In order to measure ad-avoidance behavior as accurately as possible, the survey borrowed psychological techniques: viewing decomposition, situational framing, and landmark anchoring.

To capture ad avoidance behavior, respondents completed a simple hypothetical exercise for a TV show and viewing setting they’ve experienced recently, establishing the same framework for everyone:

- one-hour viewing period
- 4 commercial breaks
- 4 commercials in each break

This common framework sets “a level playing field” allowing us to break apart the various elements of viewing situations and compare their relative contribution to ad-avoidance behavior.
The Truth About Ad Receptivity (and AVOIDANCE)
### Ad Receptivity Is Not Demographic

Source: Leflein Associates, April 2015

<table>
<thead>
<tr>
<th></th>
<th>HIGH RECEPTIVITY</th>
<th>MEDIUM</th>
<th>LOW</th>
<th>NO RECEPTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male/Female</td>
<td>50/50</td>
<td>49/51</td>
<td>52/48</td>
<td>50/50</td>
</tr>
<tr>
<td>Avg. Age</td>
<td>35</td>
<td>34</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>Median HHI</td>
<td>$62K</td>
<td>$62K</td>
<td>$62K</td>
<td>$62K</td>
</tr>
<tr>
<td>Children in HH</td>
<td>47%</td>
<td>47%</td>
<td>47%</td>
<td>42%</td>
</tr>
</tbody>
</table>
It’s Psychological

**NO RECEPTIVITY** viewers tend to be suspicious and headstrong, a combination that would be hard to combat.

**LOW RECEPTIVITY** viewers tend to be critical and stressed, which is the complete opposite of **HIGH RECEPTIVITY** viewers’ typically agreeable and relaxed personality.
Respondents were asked to profile high and low ad receptivity segments – the word clouds, descriptions and drawings shown closely validate the personality characteristics identified in Phase I.

Source: Leflein Associates, November 2015
## Ad Receptivity Is About Attitudes

(% Agree completely/very much, index vs. total)

<table>
<thead>
<tr>
<th>High Receptivity</th>
<th>Medium</th>
<th>Low</th>
<th>No Receptivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercials are sometimes more fun to watch than the TV show</td>
<td>Commercials allow me to get up and go to the fridge, bathroom, etc.</td>
<td>Commercials interfere with my enjoyment of a TV show</td>
<td>Now that I can watch shows without any commercials, there’s no going back</td>
</tr>
</tbody>
</table>

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Source: Leflein Associates, April 2015
Ad Viewership Drops Off Significantly With NOs

Q15. About what percent of the commercials will you watch? (one-hr show, 4 breaks x 4 commercials)

High: 122
Medium: 95
Low: 93
No: 33

Mean % vs. Gen Pop Index

Base: Total general population (1,660), High (575), Medium (559), Low (418), No (108)
Source: Leflein Associates, April 2015
QD1. In an average week, what proportion of all the TV shows you watch would you say you view:

- **HIGH Receptivity**: 49% (21% on TV as they air, 5% played back using DVR/TiVo)
- **MEDIUM Receptivity**: 51% (23% on TV as they air, 6% played back using DVR/TiVo)
- **LOW Receptivity**: 36% (24% on TV as they air, 10% played back using DVR/TiVo)
- **NO Receptivity**: 48% (20% on TV as they air, 5% played back using DVR/TiVo)

Base: High Receptivity (575), Medium Receptivity (559), Low Receptivity (418), No Receptivity (108)
Source: Leflein Associates, April 2015
No Receptivity Is A Small Segment, LOWs Are The Ones To Watch

<table>
<thead>
<tr>
<th>Receptivity Level</th>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Receptivity</td>
<td>35%</td>
<td>32%</td>
</tr>
<tr>
<td>Medium Receptivity</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Low Receptivity</td>
<td>25%</td>
<td>32%</td>
</tr>
<tr>
<td>No Receptivity</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Base: General population Phase 1 (n=1,660), Phase 2 (n=1,650)
Source: Leflein Associates, April 2015 & December 2015
Red text indicates Significant difference between Phase 1 and Phase 2 at 90% CI
Ad Avoidance Strategies

What Viewers Are Doing When They Skip Commercials

<table>
<thead>
<tr>
<th>Activity</th>
<th>NET %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaving the room (e.g. fridge, bathroom break, etc.)</td>
<td>66%</td>
</tr>
<tr>
<td>Checking messages / email / social media</td>
<td>50%</td>
</tr>
<tr>
<td>Surfing the internet</td>
<td>42%</td>
</tr>
<tr>
<td>Trying to fast forward through the commercials</td>
<td>33%</td>
</tr>
<tr>
<td>Having a conversation / making a call</td>
<td>30%</td>
</tr>
<tr>
<td>Attending to others / chores (kids, pets, cleaning, cooking, etc.)</td>
<td>29%</td>
</tr>
<tr>
<td>Mentally zoning out</td>
<td>27%</td>
</tr>
<tr>
<td>Flipping / searching around to see what else is on</td>
<td>15%</td>
</tr>
<tr>
<td>Doing my hobby (e.g. reading, crossword, knitting)</td>
<td>15%</td>
</tr>
<tr>
<td>Muting the sound</td>
<td>12%</td>
</tr>
<tr>
<td>Looking up something about the show</td>
<td>9%</td>
</tr>
<tr>
<td>Interacting with the show (e.g. voting, tweeting)</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Avoidance Strategies</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Physical</strong></td>
<td>74%</td>
</tr>
<tr>
<td><strong>Mechanical</strong></td>
<td>81%</td>
</tr>
<tr>
<td><strong>Cognitive</strong></td>
<td>45%</td>
</tr>
</tbody>
</table>

Base: General population avoiding any commercials (n=1,444)
Source: Leflein Associates, April 2015
## LOWs Are Opting For Another Screen

<table>
<thead>
<tr>
<th>Activity</th>
<th>High Receptivity</th>
<th>Low Receptivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking messages / email / social media</td>
<td>44%</td>
<td>51%</td>
</tr>
<tr>
<td>Surfing the internet</td>
<td>37%</td>
<td>49%</td>
</tr>
<tr>
<td>Trying to fast forward through commercials</td>
<td>23%</td>
<td>40%</td>
</tr>
<tr>
<td>Muting the sound</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>Flipping / searching around to see what else is on</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td>Looking up something about the show</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Interacting with the show (e.g. voting, tweeting with the show, etc.)</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Base: Avoiding any Commercials High (477), Low (367)
Source: Leflein Associates, April 2015
Red text indicates Significant difference between Low Receptivity and High Receptivity at 90% CI
Targeting For Efficiency

DEMOS

LIFESTYLE & HABITS

PSYCHOLOGY
During the same week research was conducted, the top rated cable show delivered 18.2 MM total viewers, but that same show only garners an overall 101 Receptivity Value Index (RVI), suggesting that higher rated programs don’t always deliver eyeballs.

Nielsen TV Ratings – week ending March 22, 2015

Leflein Proprietary calculation
Hulu Viewers Control Their Content Consumption

What’s New on Hulu
This year, Hulu is bigger and bolder than ever — and we’re just getting started.

Hulu Originals
- The Path, Season 2
- Casual, Season 2
- Shut Eye, Season 1
- Chance, Season 1
- The Handmaid’s Tale, Season 1

Premieres: June 2018
Starring: Sarah Paulson, Keri Russell, Daniel Zovatto
Premieres: August 2018
Starring: Jeffery Dean Morgan, Stephen Dorff, Keri Russell
Premieres: October 2018
Starring: Hugh Laurie
Premieres: 2017
Starring: Elizabeth Moss

Expanded Offering
- Viacom
- bet
- Nickelodeon
- VH1
- Spike
- WWE
- Logo

Engagement & Effectiveness
More people are watching Hulu than ever — and for longer periods of time.

HOURS / VIEWER
+30%

TOTAL STREAMS
+78%

UNIQUE VIEWERS
30MM

* Inactive Users and PVD/OD are excluded.
Sources: Hulu Internal, Q2/16, comScore Total Audience Report: February 2016

ARF AUDIENCE MEASUREMENT 2016
@The_ARF ARF2016AM
Purposeful Viewing Has Positive Impact On Ads

Viewership of commercials increases with favorability toward the show. When watching one of their favorite shows, the likelihood to watch the commercial increases by 21%; and 46% more likely if it’s their favorite show.

Base: watching a full hour of a show that’s not a favorite (n=277), one of their favorites (959), number one favorite (424)

Source: Leflein Associates, April 2015
Ads Most Likely To Be Watched On A TV Network Site/App or Hulu versus Live TV

**Q15.** About what percent of the commercials will you watch? (one-hr show, 4 breaks x 4 commercials)

<table>
<thead>
<tr>
<th>Viewing Platform</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV AS IT Aired (477)</td>
<td>116</td>
</tr>
<tr>
<td>DVR (441)</td>
<td>63</td>
</tr>
<tr>
<td>VOD (274)</td>
<td>113</td>
</tr>
<tr>
<td>ONLINE (468)</td>
<td>112</td>
</tr>
<tr>
<td>TV Network Site APP (65)</td>
<td>130</td>
</tr>
<tr>
<td>Hulu/Hulu Plus (83)</td>
<td>123</td>
</tr>
</tbody>
</table>

Base: General population (n=1,660)
Source: Leflein Associates, April 2015
A majority (50%) of viewers in the Low and Medium Receptivity segments (53%) would like to be able to control the types of commercials they get. And nearly two-fifths (39%) of Low Receptivity viewers would prefer to see commercials all at once at the beginning of their shows.
It’s all about options...

- FOX
- Comedy Central
- Hulu Originals
- Cartoon Network
- Nickelodeon
- Adult Swim
- ABC
- NBC
- The CW
- MTV
- CBS
- E Pop of Culture

+ $8.99/month after free trial.

Watch award-winning series like Homeland, Ray Donovan, and House of Lies, plus movies, sports, documentaries, comedy and more.

Learn More | Supported Devices
Some Segments Can Be Won Over With Ad Options

Ad Selector

Which ad experience do you prefer?

DD Perks Rewards
DD's Frozen Arnold Palmer
#mydunkin

Branded Entertainment Selector

Enjoy your program without commercial interruption by watching this 0:31 commercial first.

Introducing daily flights from Chicago to Dubai starting August 5th

This commercial will automatically start in 14 seconds

Watch Commercial

Then enjoy your program without any ads

OR

I just want regular ad breaks
And after all that, if you still don’t want ads... we still got you covered.
Questions?

Yeah, I have a lot of questions.