Elevating Ad-Supported Streaming with Premium Picture and Sound

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This Omdia White Paper was commissioned by Dolby Laboratories

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Introduction

The problem: Ad tiers are the growth engine, but poor experience quality risks revenue

The US streaming market is decisively shifting toward ad-supported and hybrid tiers. Major services have validated this trajectory with both subscriber mix and revenue expectations. For instance, Netflix reported that in territories where it is offered, half of new sign-ups now come through its ad tier, and it expects advertising revenue to double in 2025 compared with 2024. Meanwhile, Peacock has raised prices on its existing ad-supported and ad-free tiers by $3 and introduced a lower-priced $7.99 “Select” tier, comprising selected current shows and library content. These moves underscore an industry-wide pivot: Ad tiers are the near-term growth channel for user acquisition and revenue diversification.

Omdia’s recent Consumer Research on Platform Engagement and Content Consumption survey (n=1096), which explores user experience, engagement, watch time, content completion, perceived value, and subscription behavior for Dolby Vision and Dolby Atmos, reveals that consumer behavior mirrors this industry shift.

According to the survey data, 66% of respondents selected standard tiers, while 34% chose premium, evidence that the center of gravity leans toward lower-cost, ad-supported experiences (**Figure 1**).

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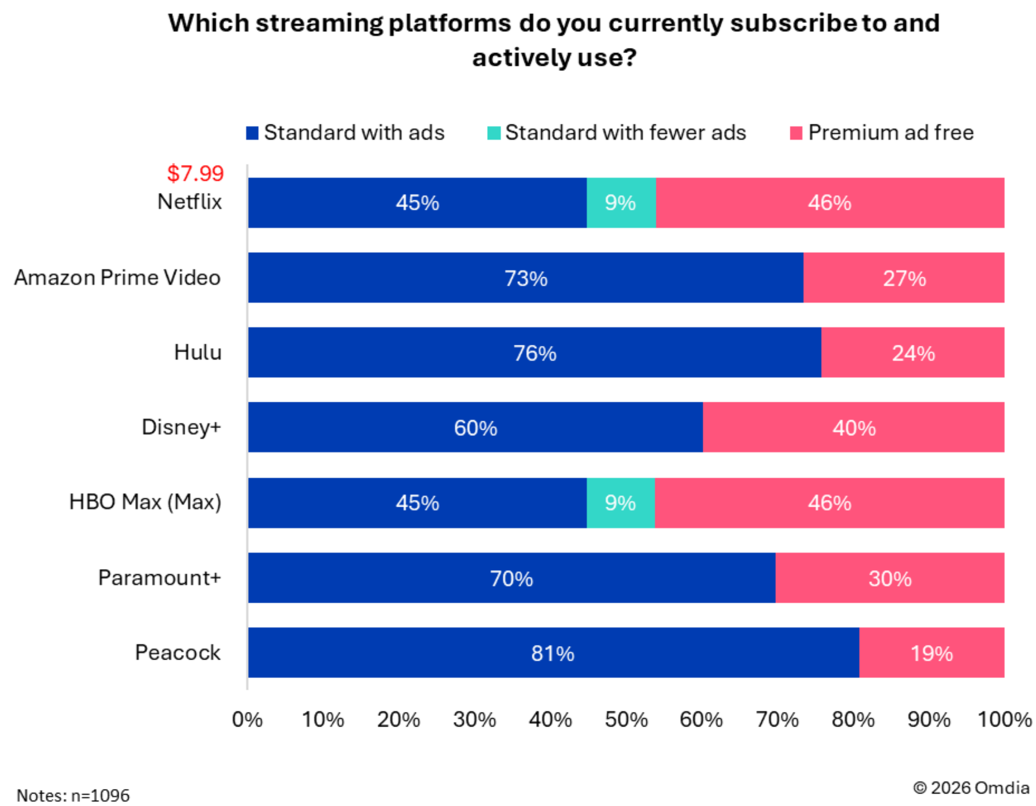
Figure 1: Two-thirds choose standard, favoring lower-cost ad-supported experiences



Source: Omdia

The strategy challenge is that many services continue to gate premium picture and sound behind ad-free tiers, trading reach for experience. This trade-off carries real economic risk. When audiences encounter unintelligible dialogue or poorly graded, dark imagery, they disengage, reducing time spent, suppressing ad completion, and weakening campaign efficacy.

Ad tiers are the future growth channel, and their economics depend on engagement, completion, and retention, areas directly influenced by picture and sound quality.

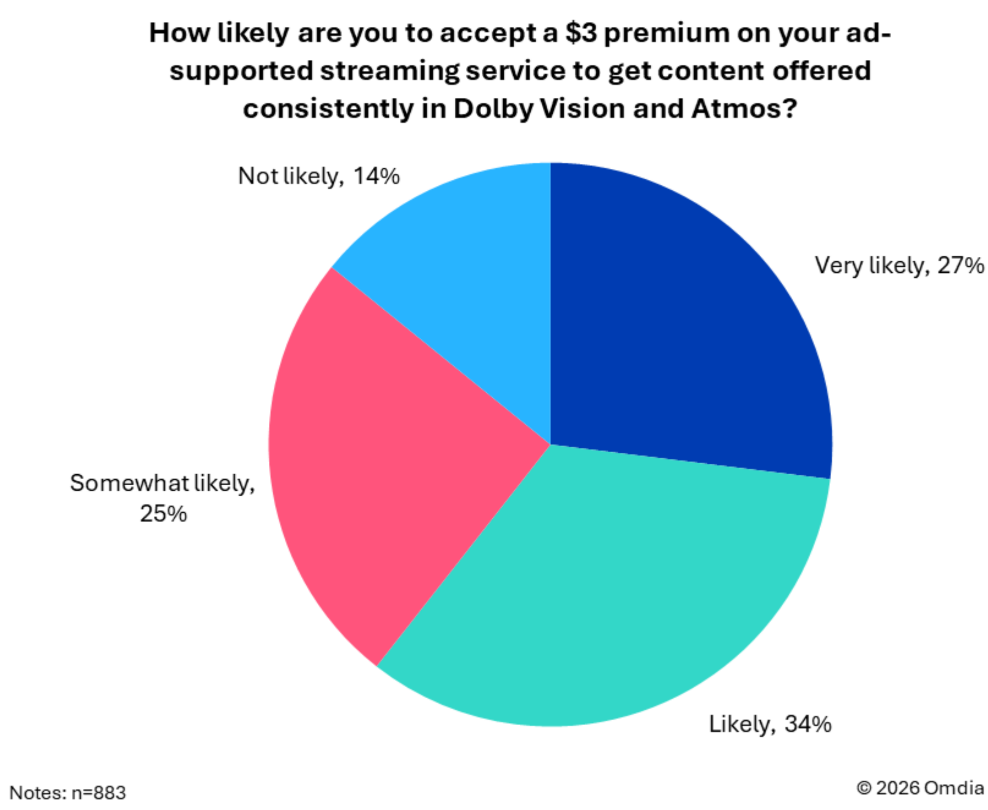
Two persistent headwinds complicate this picture. First, awareness of premium picture and sound capabilities varies by demographic and does not necessarily correlate with willingness to pay. Women and younger cohorts exhibit lower awareness, despite showing a stronger inclination to spend more for better experiences. Second, the proliferation of tiers risks confusing consumers if the promise of experience quality is inconsistent or unclear. For example, an ad-supported tier that offers lower video quality (720p) may fall short of consumer expectations for a brand renowned for high-quality streaming. Both factors heighten the importance of ensuring that superior picture and sound are obvious, consistently available, and easy to choose at the moment of signup.

The research signal: Strong demand for premium quality on ad-supported tiers

The consumer research also demonstrates a clear and monetizable preference for enhanced picture and sound on ad-supported tiers, as evidenced by these findings:

- 86% of respondents stated they are at least somewhat likely to accept a $3 premium on an ad-supported service if content is consistently delivered in Dolby Vision and Dolby Atmos (61% stated they are likely or very likely). This viable pricing lever preserves ad monetization while upgrading the experience.

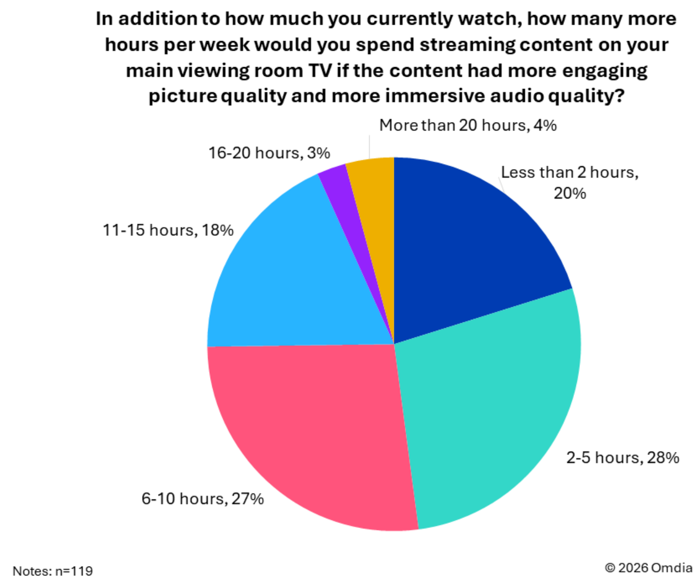
Figure 2: 86% would accept $3 premium on ad-supported streaming services for content offered in Dolby Vision and Atmos



Source: Omdia

- 52% reported they would watch six or more additional hours per week if content offered more engaging pictures and more immersive audio. More hours viewed equate to more ad inventory and higher-value impressions over time (**Figure 3**).

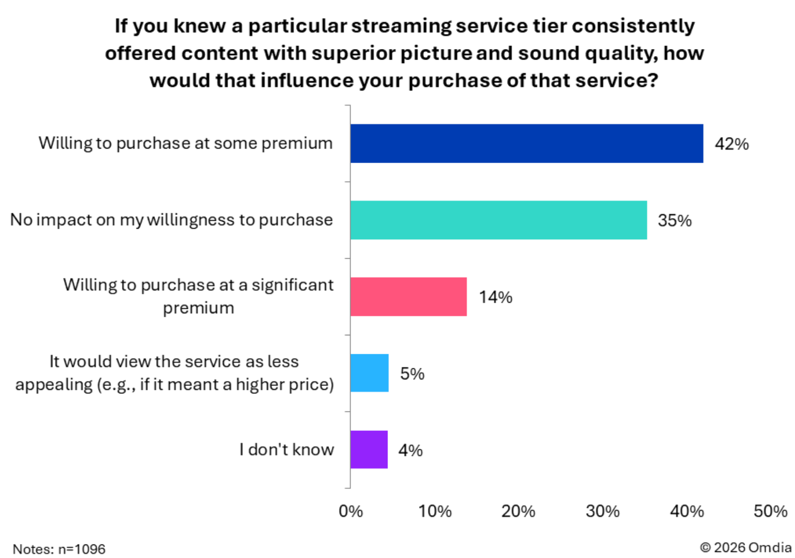
Figure 3: Better picture and audio can drive six or more streaming hours per week



Source: Omdia

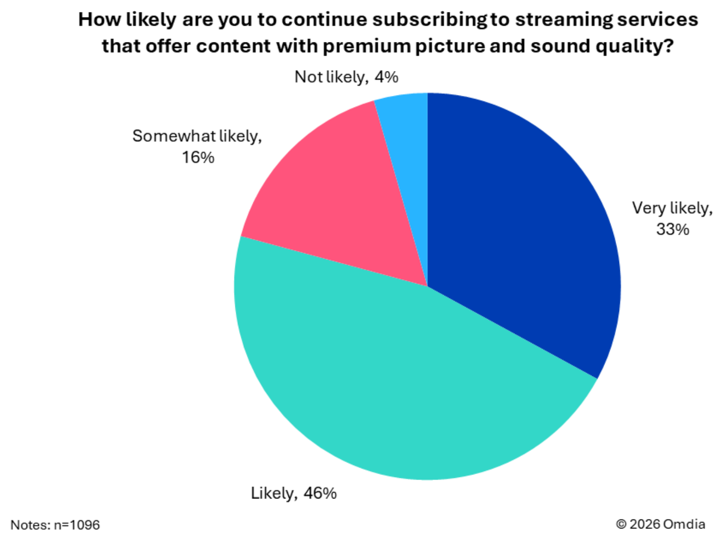
- 56% of respondents stated they would be willing to purchase a service at a premium if it consistently offered superior picture and sound quality (**Figure 4**). Additionally, 79% stated they are likely or very likely to continue subscribing to services that offer premium picture and sound (**Figure 5**). Sustained quality contributes to both acquisition and retention economics.

Figure 4: 56% would pay premium for consistently superior picture and audio quality



Source: Omdia

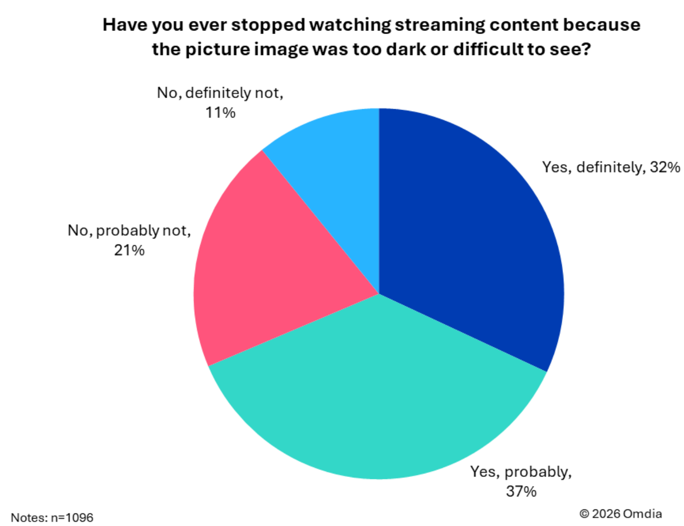
Figure 5: 79% stated they are likely or very likely to continue subscribing to streaming services offering premium picture and sound quality



Source: Omdia

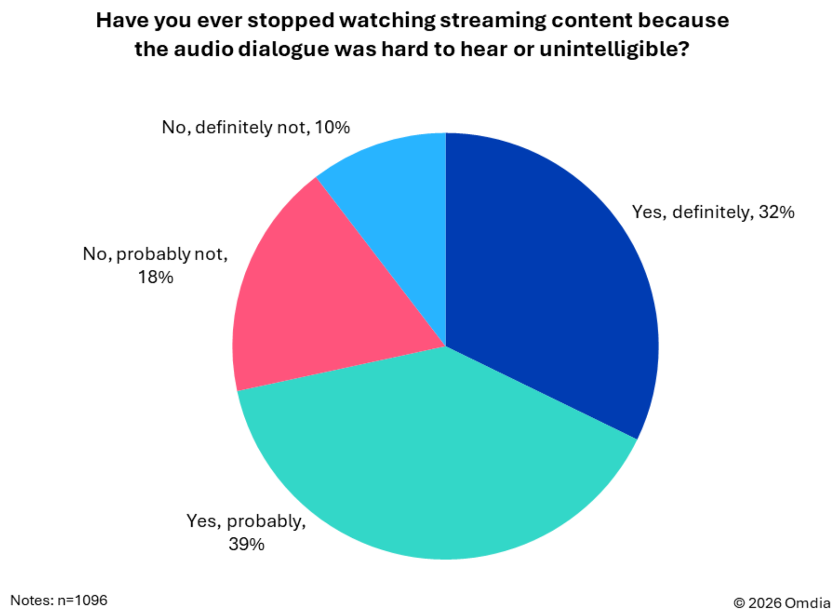
Furthermore, quality-related abandonment remains a quantifiable revenue risk: 69% of respondents stopped watching content because the picture was too dark or difficult to see (**Figure 6**), and 71% stopped because of unintelligible dialogue (**Figure 7**). As ad loads increase and tiers fragment, minimizing avoidable abandonment becomes a straightforward lever to protect ad revenue and campaign outcomes.

Figure 6: 69% abandoned streaming content because the picture was too dark or difficult to see



Source: Omdia

Figure 7: 71% stopped watching streaming content because of bad audio quality



Source: Omdia

Making capability discovery simple and unavoidable during signup and within the service user interface (UI) is essential to unlocking latent demand. Peacock's approach, offering Dolby capabilities on a standard tier, demonstrates one path to aligning features with areas of strongest consumer demand.

Implications and actions: Make premium quality a core feature of ad tiers

The commercial logic for aligning premium quality with ad-supported growth is clear. Ad tiers depend on engagement, completion, and retention. Superior picture and sound improve all three, directly lifting ad efficacy and revenue. The survey results support two pragmatic implementation paths:

- Introduce or standardize a higher-quality ad-supported tier with Dolby Vision and Dolby Atmos, priced modestly above the baseline ad tier. The tested $3 premium performs well across demographics, including lower-income and younger cohorts that are central to ad-tier expansion.
- Where the business model warrants, include Dolby Vision and Dolby Atmos in existing ad-free tiers and mirror that experience with an ad-supported premium option to maintain parity in perceived quality across the portfolio. This preserves upselling logic while ensuring that the ad-supported environment is not a quality downgrade.

In both models, clarity and consistency matter. Consumers respond to consistently offered superior picture and sound. Marketing efforts and in-product signaling should eliminate technical ambiguity and make premium formats immediately obvious at the point of choice. Retail media dynamics further strengthen this case: As TVs become conduits for advertising and commerce, improvements that reduce abandonment and drive longer session times have downstream benefits for both services and retail partners.

A measured approach to tier proliferation is advisable. Additional lower-priced options with increased ad loads may expand reach, but only if the perceived quality of experience remains intact. Quality-related churn is costly, as evidenced by the 69% and 71% abandonment metrics, which highlight the risk. Ensuring dialogue intelligibility and visible, well-graded imagery, hallmarks of Dolby Atmos and Dolby Vision, mitigates this risk at scale.

Finally, align awareness efforts with demand hotspots. Targeted education toward women, younger cohorts, and households under $100,000—segments that over-index in willingness to pay—can unlock incremental adoption. The key is to make the value proposition unmistakable: Better picture and sound translate into more enjoyable viewing, more time spent, and, for streamers, more and better ad opportunities.

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Conclusions

Let ad tiers be the highest-performing environment for engagement

The industry's growth path is set. Ad-supported tiers are the expanding front door for streaming. The question is how to maximize their performance. The evidence indicates that quality is not a luxury to gate behind ad-free tiers; it is a lever to increase time spent, reduce abandonment, and improve ad efficacy where growth is most active. Consumers say they will pay a modest premium for consistent Dolby Vision and Dolby Atmos on ad-supported services, and they report watching more when these features are available.

The strategic opportunity is straightforward: make premium picture and sound a default expectation on ad tiers, not a gated perk. Whether through a modestly priced, higher-quality ad-supported tier or parity of Dolby Vision and Dolby Atmos across ad-free and ad-supported premium options, the goal is the same: align feature availability with demonstrated demand, with clarity and consistency. Doing so turns the broadest funnel into the highest-performing environment for engagement and advertising outcomes, while positioning streamers to capture durable revenue growth amid ongoing tier experimentation.

The strategic opportunity is to make ad tiers not just the broadest funnel but also the highest-performing environment for engagement by making premium quality a default expectation, not a gated luxury.

Appendix

Methodology

Omdia conducted two surveys to quantify Dolby Vision and Dolby Atmos. Survey 1 (n=1099) used a choice-based conjoint (CBC) module to model TV purchase trade-offs, while Survey 2 (n=1096) assessed impact on watch time, subscription, quality, awareness, and value. In the CBC, respondents chose among six TV concepts plus a “None” option with attributes: brand, screen size, high dynamic range (HDR), audio, and price. The outputs included share of preference and attribute importance, supported by sensitivity charts. Demographic filters, such as gender, region, age, and income, enabled segment analysis. The content survey quantified engagement and loyalty.

Further reading

Choosing Growth in a Price-Compressed TV Market (February 2026)

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