

Fox and Tubi: Keep the Service Free or Test an Ad-Free Tier?

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Decision scope: Tubi's next monetization step after reported audience growth

Case convention: The decision is hypothetical. Fox and Tubi had publicly described a free, ad-supported service and announced advertising/content initiatives; they had not disclosed a plan to introduce a paid tier.

An audience growing quickly

On September 16, 2020, Tubi reported that its monthly active users had reached 33 million in August, up 65% year over year. It also said monthly viewing had exceeded 200 million hours since April and averaged 104% year-over-year growth. Tubi's footnote defines monthly active users (MAU) as unique devices interacting with Tubi-branded apps. The 33 million counts devices, not unique people or households; it excludes co-viewing adjustments and embedded players or clips. The company did not disclose retention cohorts, revenue per device, or household reach. [P3]

Fox had purchased Tubi to add direct-to-consumer reach and advertising opportunities, and the acquisition closed in April. Tubi was free and ad-supported (AVOD). Assume you are advising a hypothetical Fox strategy team on Tubi's next product choice: preserve a pure free AVOD model while investing in advertising technology, distribution, and content, or test an optional paid, ad-free tier while keeping the free service available. Neither the paid tier nor an internal debate over it had been announced. [P1] [P4]

The reported growth creates a timely question, but does not settle it. More devices using Tubi could improve advertiser reach and strengthen its position with content partners. It could also increase the opportunity to serve viewers who dislike advertising. Yet device activity is not a person count, year-over-year growth does not establish durable retention, and more viewing alone does not show whether advertising or subscriptions would produce the stronger economics.

What Fox and Tubi had built

Fox announced the acquisition for approximately \$440 million in net cash consideration in March 2020. It said Tubi would broaden Fox's direct-to-consumer reach and add advertising solutions. At announcement, Tubi reported more than 20,000 titles, 56,000 hours, more than 250 content partners, and more than 160 million viewing hours per month. These catalog and viewing figures are company-reported and refer to different measures. [P1]

At its June NewFront, Tubi announced new ad solutions and demand-side-platform partnerships alongside content offerings. It reported 200 million viewing hours in April and described Fox and

Tubi as sharing an ad-supported model. It also announced exclusive programming and a Spanish-language destination planned for later in 2020. Those were plans, not proof of subsequent performance. The disclosures make a free-first path concrete: improve ad technology and grow content variety, distribution, and audience. They do not quantify advertising yield, rights costs, or profitability. [P2]

Fox's fiscal 2020 Form 10-K said acquisition-related incremental revenues and Segment EBITDA were not material individually or in aggregate for the fiscal year. Tubi had been consolidated beginning in April, so this was a short post-close period and a consolidated-company disclosure. It is not a Tubi standalone income statement and does not show that the service lacked value or revenue. [P5]

Exhibit 1. Tubi's disclosed position by September 2020

Measure	Company-reported disclosure	Limit
Product	Free, ad-supported streaming service	No paid tier disclosed
Audience	33 million August MAU, +65% year over year	MAU counts unique devices, not people or households
Viewing	More than 200 million hours per month since April; 104% average year-over-year growth	No cohort retention or revenue per device disclosed
Content	More than 20,000 titles and 56,000 hours at acquisition announcement; more than 250 partners	Different date from August MAU; catalog does not establish rights/costs for a premium tier
Advertising and content initiatives	New ad solutions, DSP partnerships, programming, and a Spanish-language destination announced	Announcements and plans; economics and later performance unavailable at cutoff

Sources: Fox March 17 acquisition release [P1]; Tubi June 22 NewFront release [P2]; Tubi September 16 audience release and footnote [P3].

The two-sided choice

Preserve pure free AVOD. Fox could continue investing in advertising products, content licensing and discovery, and distribution. This path remains consistent with the acquisition rationale and Tubi's free positioning. It could sustain broad device reach and advertiser inventory. Its risks include dependence on advertising demand and the possibility that ad load or ad experience reduces use. The public record does not disclose Tubi's ad load, fill rate, pricing, yield, advertiser renewal, or content cost.

Test an optional paid, ad-free tier. A free tier could remain available while a subset of viewers receives an ad-free option, potentially with some quality or content differentiation. This could segment viewers by willingness to pay and create a direct revenue stream. It could also divert viewing hours from the ad-supported service, reduce advertiser inventory, require payment and customer-service capabilities, add content-rights costs, or complicate the "power of free" proposition. Fox had not disclosed whether its content rights permitted a premium window or which content would differentiate it.

Academic research provides mechanisms rather than a Tubi forecast. Carroni and Paolini model a streaming platform linking viewers, advertisers, and content providers. In their stylized model,

users value content variety, differ in advertising aversion, and may respond to premium quality; audience scale can affect both advertising and content acquisition. Depending on model conditions, free/ad-supported, freemium, or subscription-only configurations may emerge. It is a theoretical model and supplies no numerical Tubi conversion threshold. [A1]

Wilbur estimates viewer and advertiser demand jointly in broadcast television. The abstract reports that viewers are ad-averse and advertiser demand is price-sensitive, a reminder that ad load and price affect both sides of a platform. The study is about U.S. broadcast television, and only the publisher abstract was consulted; its estimates should not be transferred to Tubi. [A2]

Exhibit 2. Experiment design questions

If the team tests an ad-free option, it must be able to distinguish incremental subscription value from lost free-tier advertising and engagement. The following are candidate measures, not disclosed Tubi baselines or targets.

Dimension	Measurable outcome	Comparison or guardrail question
Paid demand	Trial start, paid conversion, paid active devices, cancellations, refunds	Does a clearly defined eligible cohort pay and remain active?
Free audience	Active devices, viewing hours per active device, repeat-use frequency	Does exposure to the offer reduce free use relative to a holdout?
Advertising	Ad impressions served, fill, realized yield, advertiser delivery/renewal	Does removing ads from converted viewing reduce advertiser value or merely shift viewing?
Total platform value	Incremental subscription receipts less payment, support, content, and product costs plus the change in ad contribution	Does the treatment improve contribution per eligible device versus control?
Content and product execution	Rights availability/cost, playback quality, payment failures, complaints	Can Tubi deliver a meaningfully different experience without impairing the free service?

Before launch, the team should define a holdout or other credible comparison, observation period, minimum evidence requirement, and pre-set thresholds for paid conversion and free-tier/advertiser non-inferiority. It should choose a limited test population and content offer only after confirming rights and product readiness. No threshold should be inferred from the public audience statistics.

Make the next move

Should Tubi remain a pure free AVOD service as it adds advertising and content capabilities, or should Fox test an optional ad-free paid tier while preserving free access? If you recommend a test, define the target cohort, offer, comparison group, duration, success measures, and stop/expand rules. If you recommend pure AVOD, explain what evidence would lead you to revisit subscriptions.

The case does not provide standalone Tubi revenue, ad yield or fill, content-rights cost, retention by cohort, ad load, payment costs, conversion, churn, or audience composition. Nor does it attribute growth to Fox ownership, the pandemic, a particular content release, or distribution. Recommendations should distinguish known company disclosures from

assumptions and should not treat unique devices as unique consumers.

Discussion questions

1. What does the 33 million MAU figure establish, and what does the device-based definition leave unknown?
2. How could growing audience scale affect the viewer, advertiser, and content-provider sides of Tubi's platform?
3. Compare preserving pure AVOD with testing an optional paid tier. What is the strongest argument against your preferred option?
4. Design a test that measures incremental paid value while protecting free-tier reach and advertiser delivery. What are the stop, revise, and expand thresholds?
5. Which missing data should Fox obtain before scaling either strategy?

Sources and cutoff

The information cutoff is September 17, 2020, end of day ET. Source versions, locators, reading depth, and limits are in the research source register and evidence extraction.

- **[P1]** Fox Corporation, "Fox Corporation to Acquire Tubi," March 17, 2020. [Fox IR release](#)
- **[P2]** Tubi, "Tubi's Proprietary Ad Tech and New Content Offerings Take Center Stage at Inaugural NewFront Presentation," June 22, 2020. [Tubi release](#)
- **[P3]** Tubi, "Tubi Announces Record Monthly Active Users and Total View Time in 2020," September 16, 2020, including MAU footnote. [Tubi release](#)
- **[P4]** Fox Corporation, Form 8-K, filed April 20, 2020, Item 8.01 and Exhibit 99.1. [SEC filing](#)
- **[P5]** Fox Corporation, FY2020 Form 10-K, filed August 10, 2020, Item 1 and Note 2, "Tubi Acquisition." [SEC filing](#)
- **[A1]** Carroni, Elias, and Dimitri Paolini. 2020. "Business Models for Streaming Platforms: Content Acquisition, Advertising and Users." *Information Economics and Policy* 52, 100877. Accepted manuscript, especially pp. 1-25. [Manuscript PDF](#)
- **[A2]** Wilbur, Kenneth C. 2008. "A Two-Sided, Empirical Model of Television Advertising and Viewing Markets." *Marketing Science* 27(3): 356-378. Abstract and metadata only consulted. [INFORMS record](#)

The paid tier and experiment are hypothetical. The case includes no subsequent Tubi outcomes or recommendations.