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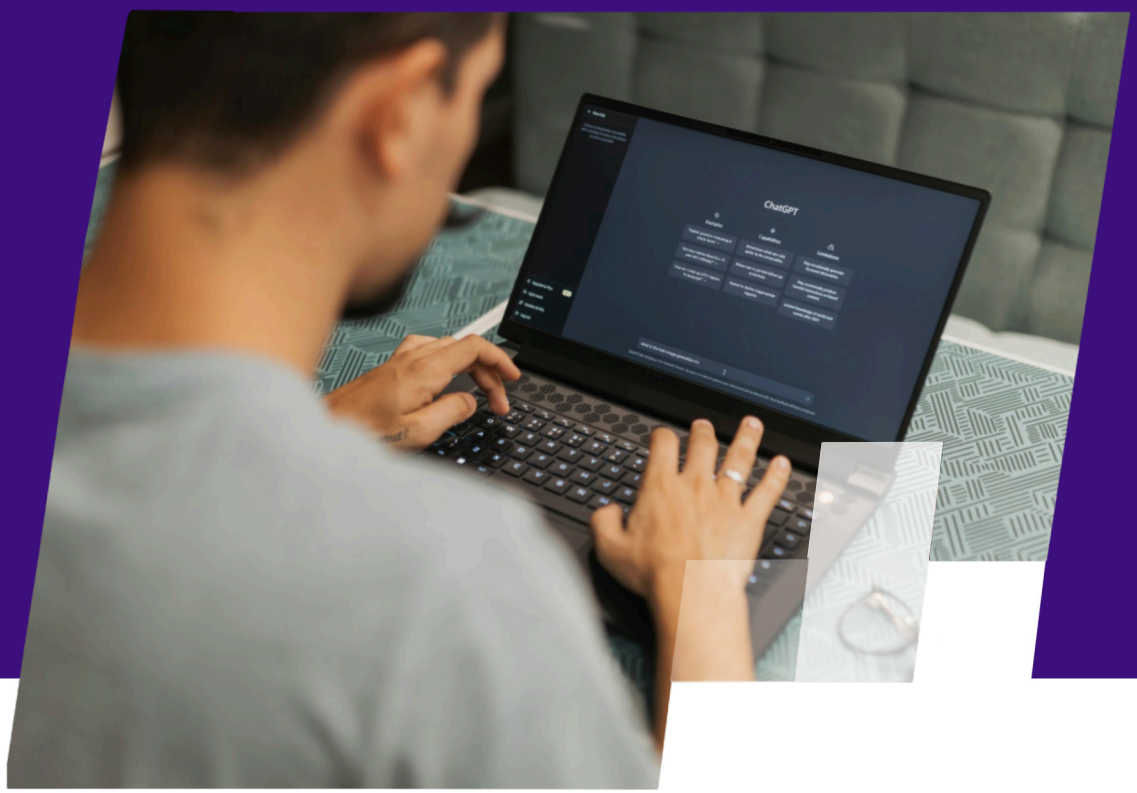

Monetizing Friction:
What Happens When ChatGPT Introduces Ads?

March 2026

ChatGPT has moved from novelty to infrastructure in less than three years.

Since its launch in 2022, it has become one of the fastest-adopted consumer technologies in history, embedding itself into daily workflows, decision-making, and increasingly, purchase journeys. For millions of Americans, conversational AI is no longer an experiment. It is a default tool.

That scale creates a new strategic reality.

While engagement is deep and habitual, monetization remains concentrated among a minority of paid subscribers. The majority of users operate on the free tier, representing significant untapped revenue potential and a monetization structure that has yet to fully capitalize on platform scale. Not to mention costs need to be covered!

It is therefore unsurprising that ChatGPT is currently pilot testing advertisements within its Free and Go tiers. It offers a path to monetize scale without restricting access. But it also introduces risk: erosion of trust, platform switching, or disruption to premium positioning.

The question is not whether advertising can generate revenue.

The question is whether it can do so without undermining the habitual, high-frequency usage that drives ChatGPT's long-term value.

This paper examines the commercial implications of introducing advertising into ChatGPT's Free and Go tiers in the United States. Specifically, we evaluate:

- Whether advertising weakens or reinforces platform preference
- Whether users switch, tolerate, or trade up when ads are introduced to lower tiers
- And critically, how much users are willing to pay to avoid advertising altogether

At its core, this analysis is about pricing architecture.

It explores whether advertising is merely incremental monetization or a lever that reshapes the subscription ladder entirely.

Methodology

To evaluate the behavioral impact of introducing advertising into ChatGPT's monetization structure, we surveyed 298 active U.S. users of AI and large language models* using conjoint methodology.

Each respondent was shown a set of 10 realistic subscription choice scenarios. In each exercise, they were asked:

"Which of the following AI subscriptions are you most likely to choose?"

Each option included:

- Platform (e.g., ChatGPT)
- Tier level with feature descriptions
- Advertising exposure level
- A monthly subscription price

A "None of these" option was provided if none of the presented options were deemed acceptable.

**Sample size is statistically significant based on the number of features and levels tested across 10 conjoint choice card options.*

Tier Structure as Proxies

To ensure comparability across platforms, we used three tier standardizeds as structured proxies:

- **Basic** – Lower usage limits, access to core features, limited or no memory (tested from $0-$10.50)
- **Standard** – Moderate usage limits, access to advanced features, basic memory (tested from $6 to $16.50)
- **Premium** – Expanded usage limits, access to faster/more capable models, enhanced memory (tested from $15 to $25.50)

These tier descriptions reflect the typical architecture currently used across major AI platforms. While naming conventions vary by brand, the underlying value ladder is broadly consistent across the market. Using standardized tier definitions allowed us to isolate the impact of advertising and price independent of brand-specific packaging.

Experimental Design

Across multiple choice tasks, respondents evaluated systematically varied subscription configurations. The design manipulated advertising exposure, pricing, tier level, and platform brand in order to estimate the relative importance of each driver.

By observing choices across these controlled trade-offs, we derived:

- Preference share under alternative monetization structures
- Likely switching behavior when advertising is introduced
- Trade-up dynamics across tiers
- Willingness to pay to remove ads

Importantly, conjoint forces respondents to make trade-offs under constraint, mirroring the reality of subscription choice. Participants cannot select all desirable features; they must choose the option that delivers the highest perceived value. This design enables simulation of alternative pricing architectures before they are introduced to market.

General Perception: Sentiment Toward Advertising

Survey responses confirm that AI chatbots and large language models are deeply embedded in users' routines. Approximately 77% of respondents report daily or several-times-per-week usage, highlighting the habitual nature of engagement

When asked about subscription willingness, 56% indicate they would pay between $1 and $20 per month, suggesting moderate openness to monetization. At the same time, 28% state they would not pay, signaling a meaningful price-resistant segment.

Importantly, these figures reflect stated attitudes — not real trade-offs. While useful for context, survey responses alone cannot determine how users will behave when faced with actual subscription choices.

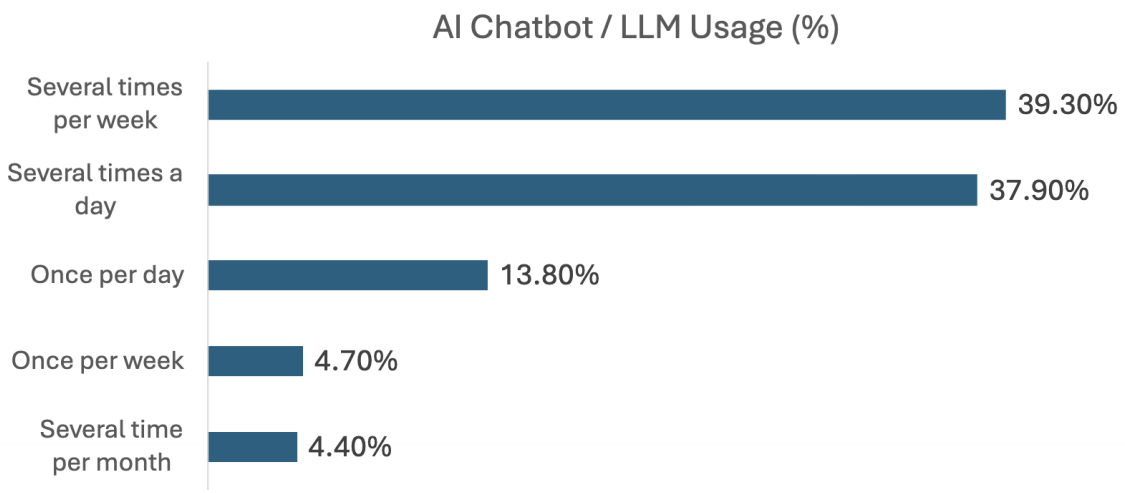

Figure 1. Stated AI Chatbot/LLM usage frequency

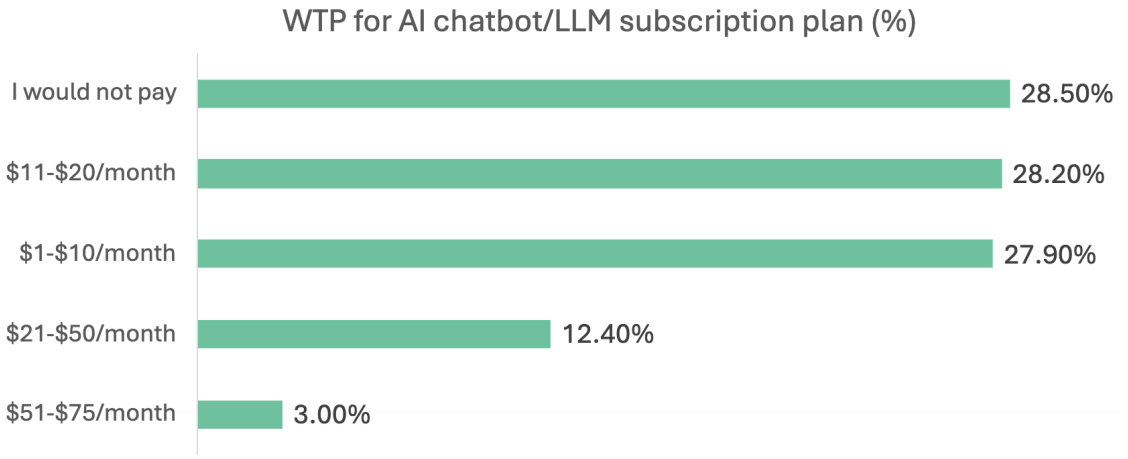

Figure 2. Stated Willingness to Pay (WTP) for an AI chatbot/LLM subscription plan

Survey data captures sentiment.
Conjoint analysis captures decision behavior.

When respondents were required to make structured choices between competing subscription offers, varying in platform, tier, price, and advertising exposure, a clear hierarchy of drivers emerged.

What Actually Drives Subscription Decisions?

The relative importance analysis reveals the following decision weights:

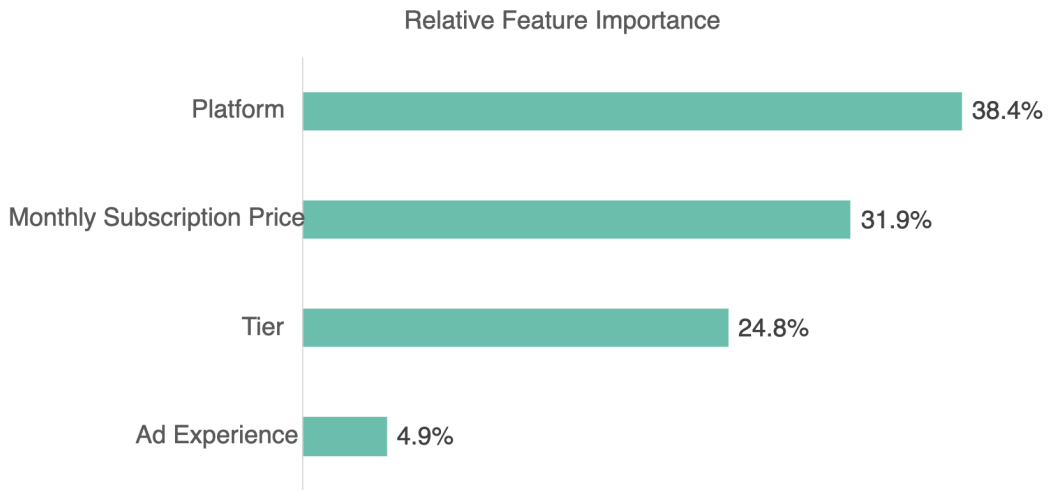

Figure 3. Relative feature importance

The implication is clear.

While advertising often dominates discussion, it contributes less than 5% to subscription choice when evaluated alongside brand and price.

Platform preference is the single strongest determinant of selection, reflecting entrenched ecosystem loyalty and perceived capability differences. Price follows closely behind, reinforcing the centrality of monetization architecture. Tier structure, including usage limits and feature depth, also plays a meaningful role.

By comparison, advertising is a secondary lever.

Feature-Level Insights

A deeper look at feature-level utilities reinforces this pattern:

- Strong preference differentiation exists across platforms.
- Price sensitivity follows a predictable downward utility curve.
- Tier upgrades generate incremental value.
- Advertising presence shifts utility modestly relative to other attributes.

Figure 4. Relative feature level importance

A quick way to interpret the previous chart is the flatter the curve, the more indifference respondents are expressing towards that attribute. The steeper the curve, the more emotion the attribute provokes among respondents.

Strategic Interpretation

These results do not imply that users welcome advertising.
They imply that advertising is rarely the primary driver of subscription choice.

Platform strength and pricing architecture dominate decision-making.
Advertising plays a secondary role relative to brand and price.

This has two important implications.

First, introducing advertising alone is unlikely to trigger large-scale switching. Platform equity provides insulation against moderate monetization changes.

Second, because switching risk is limited, the commercial impact of advertising will be determined primarily by internal migration, not competitive loss. In other words, the key question is less about whether users leave, but rather if they trade up.

In the next section we test the first implication directly through conjoint modeling to answer the question:

How does advertising affect platform preference and switching behavior?

Advertising Integration and Its Effect on ChatGPT User Loyalty

The relative importance analysis established that advertising plays a secondary role in subscription choice compared to platform and price. The next step is to quantify what that means in practice.

Specifically:

If advertising is introduced into ChatGPT's Free tier, how much user loyalty is actually at risk?

Scenario Design

To isolate the effect of advertising on platform preference, we modeled three competitive scenarios among ChatGPT free-plan users:

1. Current Market (No Ads):
   All major platforms' free plans remain ad-free.

2. General Ads (ChatGPT Only):
   ChatGPT's Free tier includes advertising across all conversation types (excluding sensitive topics), while competing platforms remain ad-free.

3. Shopping-Only Ads (ChatGPT Only):
   ChatGPT's Free tier includes advertising only during shopping and product research conversations; competitors remain ad-free.

This structure allows us to measure whether introducing ads meaningfully shifts platform preference and whether limiting ads to commercial contexts mitigates potential backlash.

Market Share Impact

In the ad-free baseline scenario, ChatGPT captures 41.8% preference share among free-tier users.

When advertising is introduced:

- Share declines to 39.6% under general ads
- Declines slightly further to 39.0% under shopping-only ads

This represents a reduction of 2.2 to 2.8 percentage points.

A movement of this magnitude is modest. While measurable, it does not indicate structural erosion of loyalty.

Importantly, the lost share primarily redistributes to adjacent AI platforms such as Google Gemini and Microsoft Copilot. The “None of these” option remains largely stable, suggesting that users who move away from ChatGPT continue to engage with alternative LLM platforms rather than exiting the category altogether.

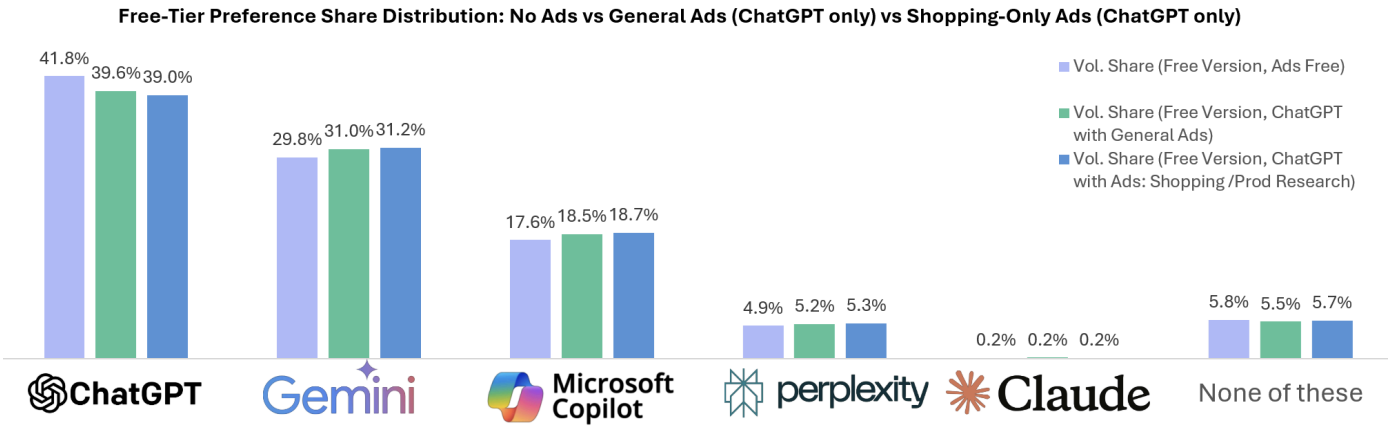

Figure 5. Comparison of preference share distribution among free plans before and after potential ad implementation for ChatGPT (subgroup: Free plan ChatGPT users)

Does Ad Scope Matter?

This pattern holds even among the subset of ChatGPT users who report frequently using the platform for shopping-related queries. Even within this higher-relevance group, users do not significantly differentiate between general advertising exposure and ads restricted to commercial contexts.

This suggests two things:

- The presence of advertising, rather than its contextual placement, drives the modest shift in preference.
- Restricting ads to shopping use cases does not meaningfully protect loyalty among users most likely to encounter them.

In practical terms, refining ad scope is unlikely to materially change competitive outcomes at the Free tier.

Strategic Implication

Introducing advertising slightly weakens appeal, but does not materially erode loyalty. The revenue outcome will depend less on competitive switching and more on how advertising reshapes migration within ChatGPT's own subscription ladder.

The next section examines that dynamic:
Does advertising drive upgrades to paid plans?

Will the Desire for an Ad-Free Experience Drive Upgrades?

Now that we have established that introducing advertising into the Free tier results in only modest switching away from ChatGPT, the more commercially meaningful question becomes:
Will advertising drive users to upgrade?

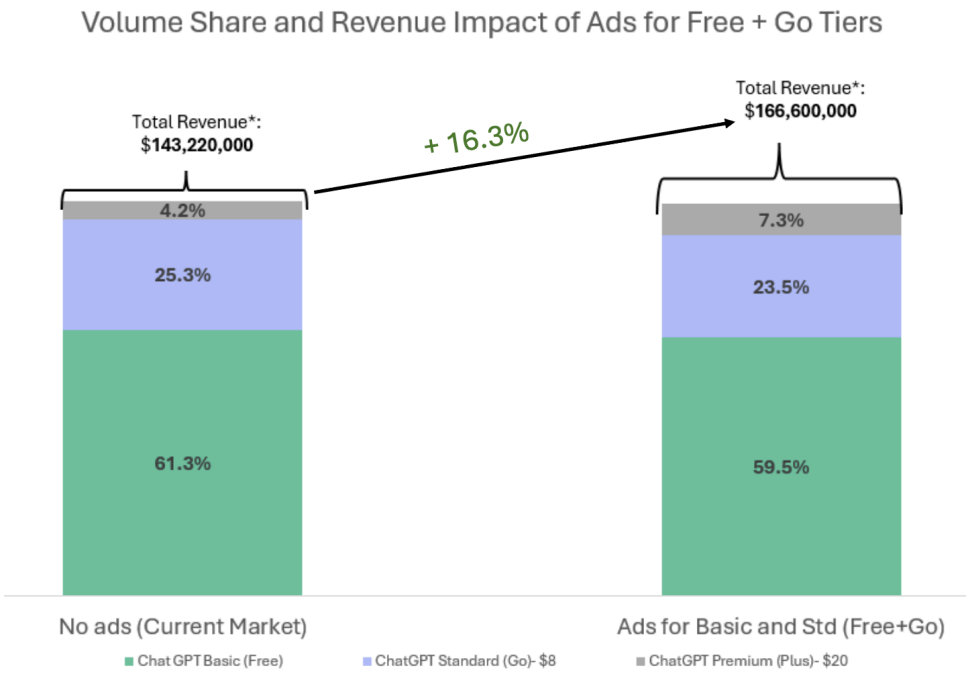

Figure 6. Preference share distribution changes among ChatGPT plans when ads are introduced to Free and GO tiers (subgroup: Current ChatGPT users).* Note: Revenue assumes a market of 50m ChatGPT users. % of respondents selecting “none of these” increased slightly from 9.2% to 9.7% when ads were added to lower tiers.

Strategic Implication

The behavioral pattern is clear:

- Users who are indifferent to advertising remain on lower tiers.
- Users who are ad-averse do not leave, they upgrade.

Rather than triggering mass switching, advertising effectively segments the user base by tolerance. It creates a natural migration path for higher-value, ad-sensitive users into premium plans, while retaining price-sensitive users in the ecosystem.

From a monetization perspective, this is structurally attractive: Market share remains stable and incremental revenue is generated from trade-up

To evaluate this, we modeled two scenarios among current ChatGPT users.

The first reflected ChatGPT's current ad-free structure:

- **Basic** – Free
- **Standard** ("Go") – $8 per month
- **Premium** ("Plus") – $20 per month

The second scenario introduced advertising across all conversation types in both the Free and Go tiers, while keeping the Premium tier ad-free. This allowed us to isolate whether advertising acts as a catalyst for upward migration within the existing user base.

Minimal Attrition. Meaningful Trade-Up.

The results were commercially encouraging.

First, as reflected in the previous analysis, introducing ads in the bottom two tiers resulted in virtually no abandonment of ChatGPT altogether. Only 0.05% of respondents who selected a ChatGPT plan in the base scenario moved to "none of these" when ads were introduced. In other words, advertising did not meaningfully push users out of the ecosystem.

More importantly, nearly 3% of respondents upgraded from Free or Go to the ad-free Premium tier when ads were introduced in the lower plans.

At first glance, 3% may appear modest. At scale, it is not.

Using a conservative base assumption of 50 million users, this shift translates into approximately $23 million in incremental monthly revenue — representing a 16.3% uplift versus the base subscription revenue scenario.

Indifference Pricing Results

Our conjoint model reveals a willingness to pay in the overall market of $0.40 for the Basic (“Free”) tier and a more significant $1.10 for the GO tier.

Indifference point (price differential at which the market values both propositions equally)		
Plan	Ad-free	Ads
Free	$0.00	$0.40 (+$0.40)
GO	$8.00	$9.10 (+$1.10)

Table 1. Willingness to Pay (WTP) calculation to remove ads on “Free” and “GO” tiers (subgroup: ChatGPT users)

Several implications emerge.

First, users place a measurable, but bounded, value on avoiding advertising. The willingness to pay is positive across tiers, but not transformational.

Second, willingness to pay scales with engagement. Users on the paid Go tier are willing to pay nearly 3x more than Free users to remove ads. This suggests that advertising is more disruptive in higher-intensity usage contexts.

Third, the price points are commercially actionable. A $1.10 ad-removal premium on the Go tier represents a potential 13–14% ARPU uplift without adding new features.

The strategic question now becomes whether introducing these lower-cost ad-free variants:

- Generates incremental revenue
- Cannibalizes Premium
- Or reshapes the subscription mix

To answer this, we modeled a five-plan lineup.

Five-Plan Simulation: Introducing Ad-Free Variants

We introduced:

- Free (Ads)
- Free (No Ads – $0.40)
- Go (Ads – $8.00)
- Go (No Ads – $9.10)
- Premium (Ad-Free)

The results reveal a clear behavioral shift.
The preference share of Free (Ads) drops from 59% to 32%, effectively monetizing 27% of users who were previously paying nothing.
At first glance, this appears highly attractive.
However, total revenue under this configuration falls short of the scenario where advertising is introduced without offering lower-tier ad-free alternatives.

The primary reason is Premium cannibalization.

A portion of users who previously upgraded to Premium to avoid ads instead opt for the lower-priced ad-free versions of Free or Go. The cheaper “escape hatch” captures demand that would otherwise have migrated into the highest-value tier.

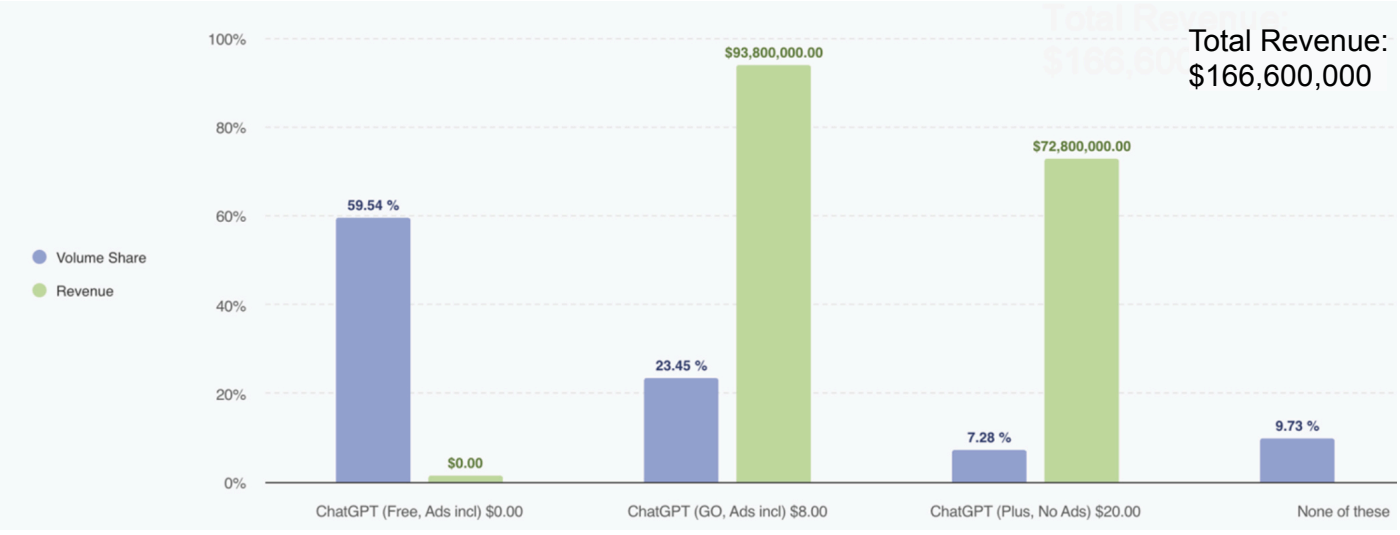

Figure 7. Volume share and revenue distribution when ads are added to Free and GO(subgroup:ChatGPT users)

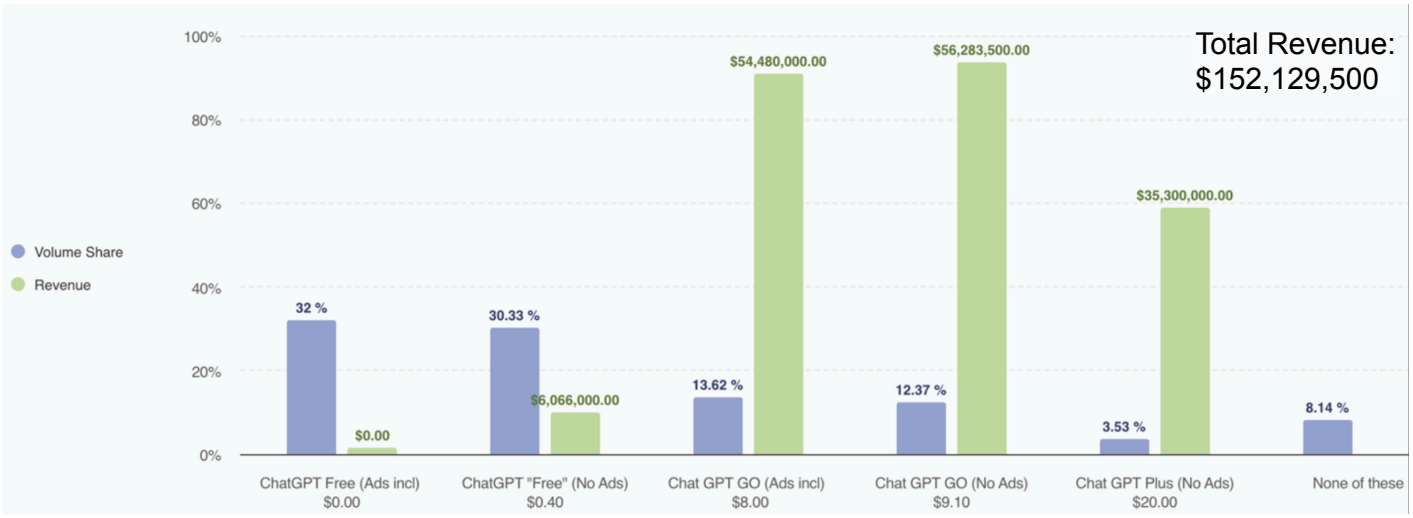

Figure 8. Volume share and revenue distribution when ad-free variants of free and GO tiers are added alongside variants with ads (subgroup:ChatGPT users)

Introducing ad-free versions, then, at indifference pricing monetizes previously free users but at the expense of higher-margin Premium migration.

Optimizing the "Free – No Ads" Price

A deeper analysis of the price elasticity curve for the Free (No Ads) plan reveals further opportunity, however.

While the additional willingness to pay among ChatGPT users to remove ads from Free is $0.40, the price elasticity curve indicates that price can be increased significantly — up to approximately $6 per month — before approaching a revenue-eroding price cliff.

This suggests meaningful heterogeneity in price sensitivity. While the average user values ad removal modestly, there exists a less price-sensitive segment willing to pay substantially more.

The same analysis was conducted for Go (No Ads). However, increasing the price above $9.10 produces a sharp demand cliff. Therefore, the Go (No Ads) price was maintained.

Figure 9. Price elasticity curve for ChatGPT “Free” No ads (subgroup:ChatGPT users)

Revenue Impact of Price Optimization

When the optimized Free (No Ads) price is introduced, the results are commercially significant.

Monthly revenue increases by over 28%, rising from $152.1 million to $195.2 million.

Furthermore, when compared to the simpler strategy of introducing ads into Free and Go without adding optimized ad-free alternatives, this enhanced architecture generates an additional $28.6 million per month (17%).

Importantly, Premium (Plus) volume share in the optimized scenario remains broadly aligned with the original ad-free base case. This indicates that revenue expansion is not being driven by erosion of the highest-value tier. Instead, incremental revenue is captured primarily from newly monetized Free users and optimized ad-free uptake, preserving Premium’s strategic role at the top of the ladder.

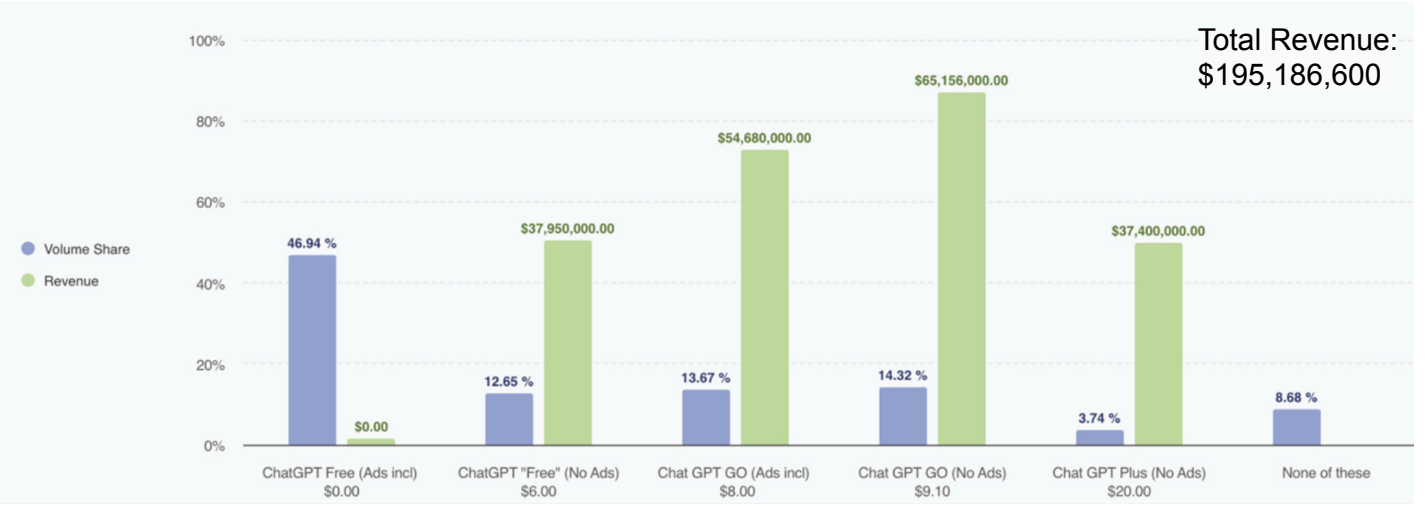

Figure 10. Volume share and revenue distribution with ad-free variants of free and GO after price optimization (subgroup: ChatGPT users)

This transforms the narrative.

Advertising alone drives structured trade-up.

Advertising plus pricing architecture optimization drives material revenue expansion.

Strategic Conclusion

The introduction of advertising into ChatGPT's Free and Go tiers is financially viable.

The data shows that advertising has only a modest impact on platform loyalty. Preference share declines by just 2–3 percentage points when ads are introduced, indicating that platform strength and habitual usage provide meaningful insulation.

More importantly, advertising drives structured trade-up. Users who are ad-averse do not exit, they upgrade. At scale, even a 3% shift to Premium translates into tens of millions in incremental monthly revenue.

However, the larger opportunity lies beyond simple ad introduction.

When ad-free variants are introduced and optimized using elasticity modeling, total monthly revenue increases by an additional 17% compared to the Free (Ads) / Go (Ads) / Premium (No Ads) scenario.

The implication is clear:

Advertising alone creates incremental revenue.
Advertising combined with disciplined pricing architecture creates structural revenue expansion.

The monetization opportunity is not simply about introducing ads. It is about designing the ladder correctly, ensuring that each tier extracts maximum value from distinct willingness-to-pay segments without unnecessarily eroding higher-margin plans.

Critical Implementation Consideration

One final consideration remains.

Conjoint analysis replicates active decision-making. In reality, most users will not spontaneously reassess their subscription when ads are introduced. Behavioral inertia is powerful.

Behavioral science consistently demonstrates the strength of status quo bias: when individuals are not required to make an explicit choice, they disproportionately remain with the current or default option, even when alternatives may better reflect their preferences.

If advertising is introduced as the new default for Free and Go tiers without requiring users to reselect their plan, many may simply tolerate ads rather than upgrading. Not because they prefer ads, but because inaction is easier than decision-making.

To fully realize the monetization opportunity, ChatGPT would likely need to introduce structured choice moments such as requiring users to reselect their plan following monetization changes

Advertising introduces friction. Revenue is realized only when that friction disrupts the default and prompts action.

For Revenue Leaders

If you are responsible for pricing, tier design, or subscription growth, this study should feel familiar.

Small structural changes.
Large revenue consequences.

Before introducing new tiers, monetization levers, or feature gates, the critical question is not *“Will customers like it?”*

It is:
Have we modeled how they will actually trade off?

Conjoint analysis gives you that answer — before you commit in-market.