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Ad executives cite low demand for Netflix ad space

Article

The news: **Netflix** is having trouble attracting advertisers in the crowded ad-supported streaming market. Despite years of pressure from brands to launch support for advertising, other major competitors have attracted more business than Netflix, per a recent Bloomberg report.

Ad executives told Bloomberg that there “is not a clamoring” for Netflix ad space and that the company has been “slow to scale” its business.

Behind the curve: Despite being launched in late 2022, Netflix’s ad-supported tier has struggled to compete with newer competitors, namely **Amazon Prime Video**.

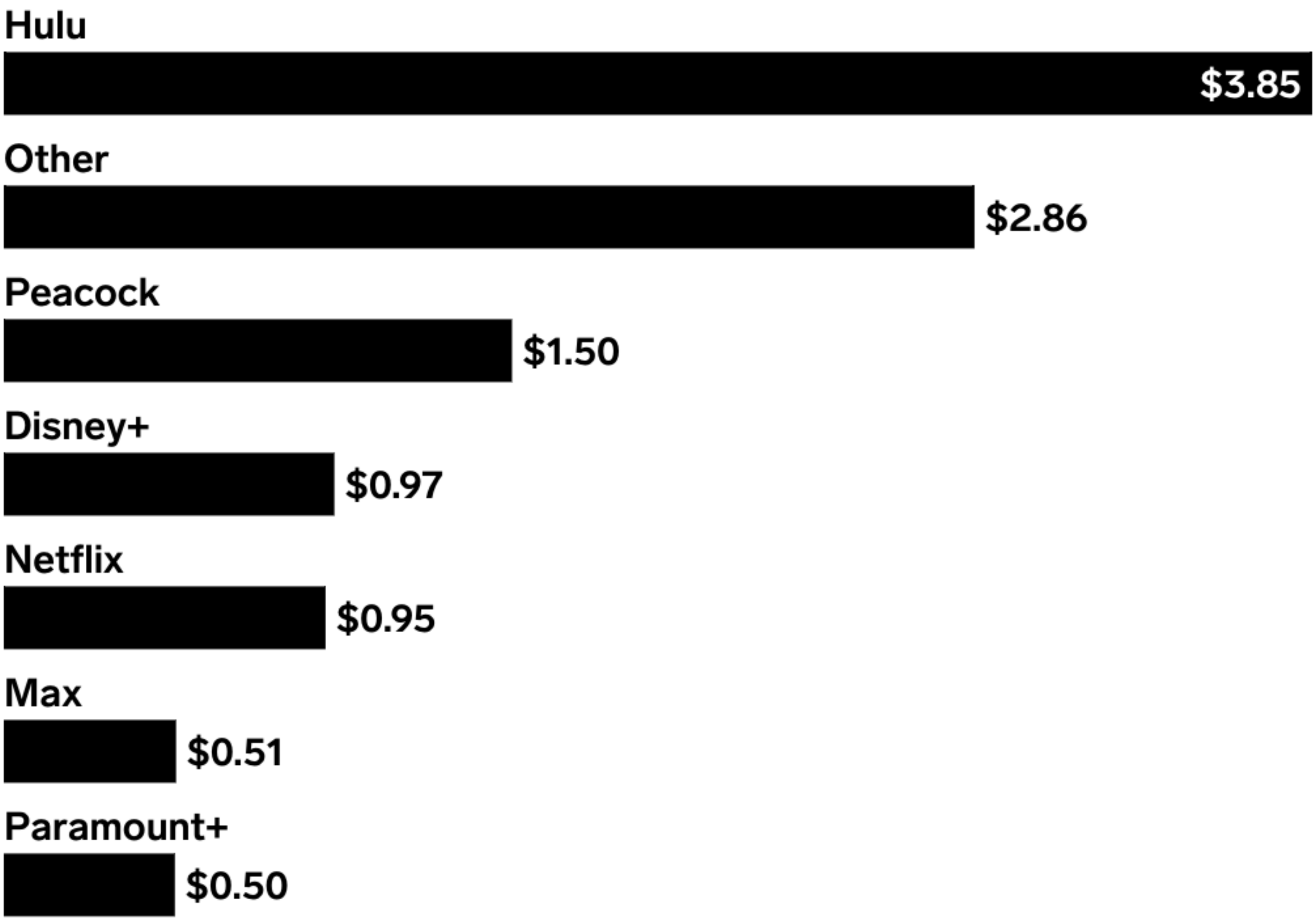
- Prime Video launched its ad-supported tier this year and is already set to become a major competitor in the subscription, ad-supported video race. Amazon's Q1 ad revenues grew 24% to $11.8 billion thanks in part to Prime Video's ad rollout, which reached about 115 million monthly US viewers.
- Amazon made viewing with ads the default for every Prime member, which gave it an immediate leg up in the race for ad-supported viewers. Netflix, on the other hand, launched an ad-supported tier separately and has spent the last two years trying to funnel consumers into the cheaper but higher-yield tier through price hikes and bundles.
- Amazon’s entry into the market has forced Netflix and others to lower CPMs below the all-time highs they asked for at the launch of their ad-supported tiers, in a sign that competition is driving down video ad costs.
- Netflix has experimented with ways to bolster its ad-supported audience but hasn’t struck gold. Last fall, the company ended a free viewing tier in Kenya that could have served as an experiment to test the potential for a free, ad-supported streaming television (FAST) model.

Our take: Despite Netflix’s struggle to break through in a crowded market, the company has seen strong growth for its ad-supported tier, which reached 23 million viewers in January.

Netflix’s upcoming streaming rights deal with **World Wrestling Entertainment** and its other sports efforts could also entice more brands and advertisers to spend on the service, emphasizing the power of sports rights.

Subscription OTT Ad Revenues, by Company

US, 2024, billions



Note: includes instream video such as those appearing before, during or after digital video content on a subscription-based OTT platform (pre-roll, mid-roll, post-roll video ads) and video overlays; appears on appears on desktop, and laptop computers as well as mobile phones tablets, and other internet-connected devices for all formats mentioned
Source: EMARKETER Forecast, March 2024

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